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99TH CONGRESS *1st Session*	SENATE	REPORT 99-34

INTERNATIONAL SECURITY AND DEVELOPMENT COOPERATION ACT OF 1985

REPORT

OF THE

COMMITTEE ON FOREIGN RELATIONS UNITED STATES SENATE

ON

S. 960

TO AMEND THE FOREIGN ASSISTANCE ACT OF 1961, THE ARMS EXPORT CONTROL ACT AND OTHER ACTS TO AUTHORIZE APPROPRIATIONS FOR THE FISCAL YEAR 1986 FOR INTERNATIONAL SECURITY AND DEVELOPMENT ASSISTANCE, THE PEACE CORPS, THE INTER-AMERICAN FOUNDATION, AND THE AFRICAN DEVELOPMENT FOUNDATION, AND FOR OTHER PURPOSES

APRIL 19, 1985.—Ordered to be printed

Filed under authority of the order of the Senate of April 18 (legislative day, April 15), 1985

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CONTENTS

	Page
Purpose	1
Summary of major provisions	1
Summary of authorizations	3
Foreign assistance table	3
Committee action	4
Committee comments	6
A. Military assistance programs	6
B. Economic assistance programs	7
C. Assistance to Israel and Egypt	7
D. Assistance to Greece, Turkey, and Cyprus	11
E. Assistance to the Philippines	12
F. Assistance to Central America	13
G. Assistance to Pakistan	14
H. Assistance to Morocco	15
I. Assistance to Tunisia	15
J. Guaranty reserve fund	16
Section-by-section analysis	16
Title I—Military sales and related programs	16
Section 101—Foreign military sales credits authorization and aggregate ceilings	16
Section 102—Valuation of certain defense articles	17
Section 103—Administrative surcharge	17
Section 104—Catalog data and services	17
Section 105—Contract administration services	18
Section 106—Sales credits	18
Section 107—Report on replenishment of the guaranty reserve fund	18
Section 108—Reporting requirement	18
Section 109—Report on cash flow financing	19
Section 110—Cooperative agreements on air defense in Central Europe	19
Section 111—Increase in criminal penalties for certain violations of the Arms Export Control Act	19
Section 112—Official reception and representation expenses	19
Section 113—Special defense acquisition fund	19
Section 114—Military assistance costs	20
Section 115—Military assistance	20
Section 116—Stockpiling of defense articles for foreign countries	20
Section 117—Security assistance organizations	21
Section 118—International military education and training	21
Section 119—Exchange training	21
Section 120—Training in maritime skills	22
Section 121—Authorization for peacekeeping operations	22
Section 122—Peacekeeping operations emergencies	22
Section 123—Security assistance to Turkey and Greece	22
Section 124—Prohibition on the provision of certain security assistance for Lebanon	23
Section 125—Exemption of certain safety-related equipment from prohibition on military sales to Chile	23
Section 126—Leasing authority	23
Section 127—Certification concerning AWACS sold to Saudi Arabia	24
Title II—Economic support fund	28
Section 201—Authorization of appropriations	28
Title III—Development assistance	30
Section 301—Development assistance policy	30

Page

Section-by-section analysis—Continued
Title III—Development assistance—Continued
Section 302—Agriculture, rural development, and nutrition 31
Section 303—Population and health, child survival fund 31
Section 304—Education and human resources development 33
Section 305—Energy, private voluntary organizations, and selected development activities 33
Section 306—Private sector revolving fund 34
Section 307—Sahel development program 34
Section 308—Private and voluntary organizations and cooperatives in overseas development 35
Section 309—Promotion of democratic cooperatives 36
Section 310—Development and illicit narcotics production 36
Section 311—Housing guaranty program 36
Section 312—Trade credit insurance program 36
Section 313—Disadvantaged children in Asia 37
Title IV—Central America 37
Section 401—Central America democracy, peace, and development initiative 37
Section 402—Administration of justice 39
Section 403—Land reform 39
Section 404—Use of employee stock ownership plans in development efforts 40
Section 405—Prohibitions relating to military or paramilitary operations in Nicaragua 40
Title V—Other assistance programs 40
Section 501—American schools and hospitals abroad 40
Section 502—International organizations and programs 41
Section 503—Narcotics reporting requirement 41
Section 504—International narcotics control 42
Section 505—International disaster assistance 42
Section 506—Anti-terrorism assistance program 42
Section 507—Trade and development program 42
Section 508—Operating expenses 43
Title VI—Peace Corps 43
Section 601—Authorization of appropriations 43
Title VII—African Development Foundation 44
Section 701—Authorization of appropriations 44
Section 702—Extension of authorities 44
Title VIII—Inter-American Foundation 44
Section 801—Authorization of appropriations 44
Title IX—General provisions 44
Section 901—Procurement of construction and engineering services 44
Section 902—Completion of plans and cost estimates 45
Section 903—Prohibitions against assistance 45
Section 904—Nuclear non-proliferation conditions on assistance for Pakistan 45
Section 905—Streamlining of reprogramming requirements 46
Section 906—Training assistance 46
Section 907—Suspension of assistance to countries violating United States export laws in order to manufacture a nuclear explosive device 46
Section 908—Illegal emigration from Haiti 46
Section 909—Participant trainee grants 46
Section 910—Assistance for Afghanistan 47
Section 911—Repeal of provisions; technical amendments 47
Section 912—Codification of policy prohibiting negotiations with the Palestine Liberation Organization 47
Section 913—Long-term agricultural commodity agreements with food deficit countries 48
Section 914—Effective date 49
Congressional Budget Office cost estimate 49
Regulatory impact statement 50
Changes in existing law 50

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Mr. LUGAR, from the Committee on Foreign Relations, submitted the following

REPORT

[To accompany S. 960]

The Committee on Foreign Relations, having under consideration an original bill to amend the Foreign Assistance Act of 1961, the Arms Export Control Act and other acts to authorize appropriations for the fiscal year 1986 for international security and development assistance, the Peace Corps, the Inter-American Foundation, and the African Development Foundation, and for other purposes, having considered the same, reports favorably thereon and recommends that the bill do pass.

PURPOSE OF THE BILL

The principal purpose of this bill is to authorize appropriations of $12,824,900,000 for fiscal year 1986 security and development assistance programs.

MAJOR PROVISIONS

1. The bill provides authorization for appropriations of $12.8 billion in new budget authority for foreign assistance programs including international narcotics control, voluntary contributions to specialized international organizations, and all bilateral economic and military assistance provided to some 123 countries. This is an amount which is $416,900,000 less than the total amount requested by the Administration for these programs in FY 1986.

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2. It authorizes $6.3 billion in military assistance for FY 1986. This total includes substantial increases for Israel ($400 million) and Egypt ($125 million) in forgiven foreign military sales credits, but constitutes an overall reduction of $190.5 million in the Administration's fiscal year 1986 Foreign Military Sales credit request. All other programs—grant military assistance (MAP), grant training (IMET) and the Anti-Terrorism program—are authorized at the fiscal year 1985 Continuing Resolution level, except that the Committee approved the Administration's requests for a reduction in Peacekeeping Operations (RKO). There is no replenishment of the Guaranty Reserve Fund (GRF).

3. It further provides fiscal year 1986 authorizations of $3.8 billion for the Economic Support Fund (including $1.2 billion for Israel and $815 million for Egypt), $2.1 billion for bilateral development assistance programs, $128.6 million for the Peace Corps, $12 million for the Inter-American Foundation and $1 million for the African Development Foundation.

4. It provides $215 million in grant military assistance to Turkey. It further provides up to $500 million in credits to Turkey and $500 million in credits to Greece and stipulates that the same proportion of concessional rate credits that is offered to Turkey be also offered to Greece in fiscal year 1986. The traditional 10:7 ratio of military assistance for Turkey and Greece is therefore restored.

5. It strengthens current U.S. non-proliferation policy by reinstituting a prohibition on use of Economic Support Funds for nuclear facilities. It prohibits assistance to countries which knowingly violate U.S. export laws in order to obtain nuclear technology or equipment, and reaffirms the position adopted by the Committee in last year's bill in relation to U.S. non-proliferation policy toward Pakistan.

6. It provides military and economic assistance to the Philippines by sustaining the Administration's request of $100 million in military assistance and $95 millon in economic support funds.

7. It reaffirms U.S. policy concerning negotiations with the Palestine Liberation Organization and places limitations on U.S. officials consistent with that policy for fiscal year 1986.

8. It provides funding above the President's request for the United Nations Children's Fund (UNICEF), the United Nations Development Program (UNDP) and the United Nations Environmental Program (UNEP). It also provides $25 million to the Child Survival Fund created by Congress last year and adds funding to other development assistance accounts.

9. It authorizes new provisions recommended by the National Bipartisan Commisson on Central America including policy provisions emphasizing the opening of the political process, the participation of the United States in a regional economic organization, and a multi-year authorization of $1.2 billion each year for fiscal years 1987 through 1989 to carry out the Bipartisan Commission recommendations.

10. It prohibits the use of any foreign assistance funds to assist the Contras in Nicaragua either directly or indirectly. It prohibits any agreement between the United States and a recipient of U.S. assistance or a purchaser of U.S. military equipment under which the recipient or purchaser provides aid to the Contras.

Summary of Authorizations

The Committee recommends authorization of appropriations of $12,824.9 million for the fiscal year 1986 assistance programs contained in this bill. In reaching this recommendation, the Committee tried to authorize levels as close as possible to the "freeze" at the fiscal year 1985 Continuing Resolution level recommended by the Senate Budget Committee for the overall Budget Function 150 International Affairs account. In following this guideline, the Committee reduced the President's request by $416.9 million. This total includes reductions of $144.3 million from the Administration's request for the Military Assistance Program, $190.5 million from the Foreign Military Sales credits proposal and $183.0 million from the request for the Economic Support Fund. This total reduction also includes $184.0 million that was shifted to certain development assistance programs and U.S. voluntary contributions to several U.N. programs.

FOREIGN ASSISTANCE—COMPARATIVE TABLES, FY 1985–FY 1986

[In millions of dollars]

	Fiscal year—		
	1985 continuing resolution	1986 executive request	1986 committee recommendation
Agriculture, rural development and nutrition	755.6	792.4	755.6
Population planning	286.8	250.0	270.0
Health	223.1	146.4	186.4
Child survival fund	25.0	0.0	25.0
Education and human resources development	177.1	183.5	177.1
Energy, selected development activities	188.0	210.1	188.0
Science and technology	12.0	13.0	12.0
Sahel development program [1]		80.5	80.5
Transferred to private sector revolving fund	(16.0)	(20.0)	(16.0)
AID functional development subtotal	1,651.6	1,655.9	1,678.6
American schools and hospitals abroad	30.0	10.0	30.0
Disaster assistance	25.0	25.0	25.0
Sahel development program [1]	97.5		
Private sector revolving fund	16.0	20.0	16.0
Housing guaranty authority (off-budget)	(160.0)	(45.0)	(45.0)
Housing guaranty reserve fund	40.0	0.0	0.0
AID operating expenses	391.5	387.0	387.0
Total AID development assistance	2,251.6	2,097.9	2,136.6
Economic support fund, Camp David countries [2]	2,015.0	2,015.0	2,015.0
Econimic support fund, all other countries	1,826.0	2,009.0	1,826.0
Total AID-administered economic assistance	6,092.6	6,121.9	5,977.6
Military assistance (MAP)	805.1	949.4	805.1
International military education and training	56.2	65.7	56.2
Foreign military sales	4,939.5	5,655.0	5,464.5
Guaranty reserve	109.0	0.0	0.0
Subtotal military assistance	5,909.8	6,670.1	6,325.8
Peacekeeping operations	44.0	37.0	37.0
Anti-terrorism assistance	5.0	5.0	5.0
Trade credit program (off-budget)	(300.0)	(200.0)	(0.0)
Trade and development program	21.0	20.0	20.0
International narcotics control	50.2	57.5	50.2
International organizations and programs [3]	268.7	196.2	267.7
Subtotal, economic and military assistance	12,391.3	13,107.7	12,683.3

FOREIGN ASSISTANCE—COMPARATIVE TABLES, FY 1985–FY 1986—Continued

[In millions of dollars]

	Fiscal year—		
	1985 continuing resolution	1986 executive request	1986 committee recommendation
Peace Corps	128.6	124.4	128.6
African development foundation	1.0	1.0	1.0
Inter-American foundation	12.0	8.7	12.0
Total economic and military assistance	12,532.9	13,241.8	12,824.9

[1] Sahel program not included in functional development assistance in FY 1985.
[2] Includes $1.2 billion for Israel.
[3] Excludes IFAD ($90 million in FY 1985).

Committee Action

The following bills were referred to the Foreign Relations Committee and were considered and consolidated into an original bill:

S. 559, to amend the Foreign Assistance Act of 1969 to authorize fiscal year 1986 appropriations for the Inter-American Foundation and for other purposes, which was introduced by Senator Lugar on behalf of the executive branch on March 5, 1985;

S. 560, to extend the authority of the African Development Foundation and for other purposes, introduced by Senator Lugar, by request, on March 5, 1985;

S. 656, to further amend the Peace Corps Act, and for other purposes, which was introduced by Senator Lugar for the executive branch on March 14, 1985; and

S. 660, to amend the Foreign Assistance Act of 1961, the Arms Export Control Act and the Agricultural Trade Development and Assistance Act of 1954, to authorize development and security assistance programs for fiscal year 1986, and for other purposes, which Senator Lugar introduced at the request of the executive branch on March 14, 1985.

The Foreign Relations Committee held seven hearings on the above legislation:

March 15, 1985—International security and development assistance request (Secretary of State Shultz);

March 20, 1985—International security and development assistance;

March 21, 1985—Foreign assistance to Middle East and South Asia;

March 21, 1985—Foreign assistance to East Asia and the Pacific;

March 22, 1985—Foreign assistance to Sub-Saharan Africa;

March 22, 1985—Foreign assistance to Europe; and

March 26, 1985—Foreign assistance to Latin America and the Caribbean.

In addition to the Secretary of State, 31 other witnesses from the executive branch and the private sector testified during these hearings.

On March 26 and 27 the Committee met to mark up the legislation listed above. The first action by the Committee was to adopt a Committee mark as offered by Senators Lugar and Dodd. The mark

reflected the lower of either the President's request or the fiscal year 1985 continuing resolution level. The Committee then approved an amendment offered by Senators Mathias, Pell and Dodd, to restore $184 million in funding for certain programs. The following record votes were taken:

An amendment offered by Senator Dodd incorporating seven major provisions with respect to Central America was rejected by a vote of 6–10. Those voting aye were Senators Pell, Sarbanes, Zorinsky, Cranston, Dodd and Kerry; those voting nay were Senators Lugar, Helms, Mathias, Kassebaum, Boschwitz, Pressler, Murkowski, Trible, Evans, and Eagleton.

An amendment offered by Senators Kassebaum and Pell to assure equitable treatment of government and non-government organizations who are recipients of population assistance was adopted, 9–7. Ayes: Senators Mathias, Kassebaum, Evans, Pell, Biden, Sarbanes, Cranston, Dodd and Kerry. Nays: Senators Lugar, Helms, Boschwitz, Pressler, Trible, Zorinsky, and Eagleton. (An amendment offered by Senator Helms to this amendment which would have added a sentence concerning infanticide or abortion was rejected, 7–9. Ayes: Senators Lugar, Helms, Boschwitz, Pressler, Trible, Zorinsky and Eagleton. Nays: Senators Mathias, Kassebaum, Evans, Pell, Biden, Sarbanes, Cranston, Dodd and Kerry.)

An amendment offered by Senator Helms prohibiting population assistance to any country which permits infanticide or coerced abortion, or to any organization with population programs in such a country was adopted 13–3. Ayes: Senators Lugar, Helms, Boschwitz, Pressler, Trible, Pell, Biden, Sarbanes, Zorinsky, Cranston, Dodd, Eagleton and Kerry. Nays: Senators Mathias, Kassebaum and Evans.

An amendment offered by Senator Kerry restricting certain military assistance to the Philippines and establish a certification process with respect to that aid was rejected, 8–9. Ayes: Senators Pell, Biden, Sarbanes, Zorinsky, Cranston, Dodd, Eagleton and Kerry. Nays: Senators Lugar, Helms, Mathias, Kassebaum Boschwitz, Pressler, Murkowski, Trible and Evans.

An amendment offered by Senator Dodd placing conditions on economic assistance to Guatemala was rejected 8–9. Ayes: Senators Mathias, Pell, Biden, Sarbanes, Cranston, Dodd, Eagleton and Kerry. Nays: Senators Lugar, Helms, Kassebaum Boschwitz, Pressler, Murkowski, Trible, Evans and Zorinsky.

An amendment offered by Senator Dodd prohibiting direct or indirect funding for military or paramilitary operations in Nicaragua, was rejected, 8–8. Ayes: Senators Mathias, Pell, Sarbanes, Zorinsky, Cranston, Dodd, Eagleton and Kerry. Nays: Senators Lugar, Helms, Kassebaum, Boschwitz, Pressler, Murkowski, Trible and Evans.

An amendment offered by Senator Pell prohibiting funding for military or paramilitary operations in Nicaragua and prohibiting agreements and understandings with recipients of U.S. assistance to assist the Contras was adopted, 9–8. Ayes: Senator Mathias, Pell, Biden, Sarbanes, Zorinsky, Cranston, Dodd, Eagleton and Kerry. Nays: Senators Lugar, Helms, Kassebaum Boschwitz, Pressler, Murkowski, Trible and Evans.

An amendment offered by Senator Dodd requiring Presidential certification as a condition on assistance to El Salvador was reject-

ed, 7–10. Ayes: Senators Pell, Biden, Sarbanes, Cranston, Dodd, Eagleton and Kerry. Nays: Senators Lugar, Helms, Mathias, Kassebaum, Boschwitz, Pressler, Murkowski, Trible, Evans, and Zorinsky.

An amendment offered by Senator Pell to earmark funds for the U.N. Environmental Program (UNEP) was adopted, 9–8. Ayes: Senators Mathias, Pell, Biden, Sarbanes, Zorinsky, Cranston, Dodd, Eagleton and Kerry. Nays: Senators Lugar, Helms, Kassebaum, Boschwitz, Pressler, Murkowski, Trible and Evans.

An amendment offered by Senator Kassebaum to eliminate the multi-year authorization for Central America was rejected, 8–8. Ayes: Senators Helms, Kassebuam, Pell, Biden, Sarbanes, Zorinsky, Cranston and Kerry. Nays: Senators Lugar, Mathias, Boschwitz, Pressler, Murkowski, Trible, Evans and Dodd.

An original bill was ordered reported by a vote of 16–1. Ayes: Senators Lugar, Mathias, Kassebaum, Boschwitz, Pressler, Murkowski, Trible, Evans, Pell, Biden, Sarbanes, Zorinsky, Cranston, Dodd, Eagleton and Kerry. Nay: Senator Helms.

Committee Comments

A. Military assistance programs

U.S. military assistance consists of several programs which provide financing support to foreign countries for the purchase of defense articles, services and training from the United States. The term "security assistance" includes both military assistance and the AID-administered Economic Support Fund (ESF). The ESF program is outlined in the economic assistance programs discussion below and in the section-by-section presentation of Title II.

The Committee maintains the Military Assistance Program (MAP), the grant training program (IMET) and the Anti-Terrorism program at the FY 1985 Continuing Resolution funding levels. It accepted the Administration's request for reduced levels from FY 1985 for the Peacekeeping program and did not include replenishment for the Guaranty Reserve Fund (GRF). The Committee reduced the Administration's request for Foreign Military Sales credits (FMS) by some $190.5 million but agreed to the Administration's increases for Israel and Egypt.

The following chart shows the military assistance funding levels in the Committee bill:

Fiscal year 1986 military assistance—committee recommendations

[In millions of dollars]

Foreign Military Sales Credits (FMS)	5,464.5
Military Assistance Program (MAP)	805.1
International Military Education and Training (IMET)	56.2
Subtotal	6,325.8
Peacekeeping Operations (PKO)	37.0
Anti-Terrorism	5.0
Total	6,367.8

The Committee earmarked $1.8 billion for Israel and $1.3 billion for Egypt—all of which is provided on a grant basis—in the FMS program. The sum of $500 million in FMS was provided for Turkey along with $215 million in MAP funds; $500 million in FMS was

earmarked for Greece and $15 million in MAP was earmarked for Tunisia.

At the suggestion of Senator Kerry, the Chairman has asked the Majority and Minority staffs to conduct a joint study of the security assistance program and to report to the Committee with findings and recommendations before consideration of legislation next year. Senator Kerry observed that there have been substantial increases in ESF and MAP in recent years, thus making particularly relevant a comprehensive assessment of the results and value of these programs.

B. Economic assistance programs

For fiscal year 1986 the Administration requested a total level of funding for bilateral economic assistance of $7,321.9 million. That figure included $2,097.9 million for bilateral Development Assistance (DA), $4,024.0 million for the Economic Support Fund (ESF), including Israel, and $196.2 million for U.S. voluntary contributions to International Organizations and Programs (IO&P).

In reviewing this request, the Committee tried to achieve a realistic balance between overall budget constraints and adequate program levels. In the view of the Committee, this approach has resulted in funding levels embodying a reaffirmation of the Committee's longstanding support for economic assistance within the context of limitations on the availability of financial resources. To achieve this balance, the Committee reallocated resources from military assistance to economic assistance, and within economic assistance reallocated funding from ESF to DA and IO&P accounts.

The section-by-section analysis contains a detailed discussion of Committee actions on both Title II, the Economic Support Fund, and Title III, Development Assistance.

C. Assistance to Israel and Egypt

The Committee made efforts to assist Israel and Egypt in dealing with their separate economic problems. Overall levels for Economic Support Funds (ESF) proposed by the Administration and approved by the Committee were the same fiscal year 1985—$1.2 billion for Israel and $815 million for Egypt. The Committee, however, approved modifications within the funding levels. For the second consecutive year, the Committee approved early disbursement of the ESF funds for Israel to help maintain its foreign currency reserves as it undertakes austerity measures to deal with its economic crisis.

For Egypt, the Committee voted to increase the cash transfer portion of the ESF program in order to help Egypt's balance of payments problems and to encourage economic reforms. The Administration had requested $100 million in cash transfer. The Committee approved an amendment that the ESF level for cash transfer shall be between $165 million and $200 million and $200 million.

The Committee supported the Administration's proposals to increase Foreign Military Sales credits (FMS) for both countries. The Administration proposed $1.8 billion in all-grant FMS assistance for Israel in fiscal year 1986, an increase of $400 million over the fiscal year 1985 level. The fiscal year 1986 FMS level for Egypt is

$1.3 billion, also in the form of all grants, which is $125 million more than the fiscal year 1985 level. This is the second consecutive year the Administration has proposed all-grant FMS assistance for Egypt and Israel to help ease the growing accumulation of FMS-related debts which have become major economic burdens.

ISRAEL

Israel's efforts to deal with its economic crisis were taken into account during the Committee's markup of the fiscal year 1986 foreign assistance bill. The Committee approved the Administration's request of $1.2 billion in grant ESF for Israel in fiscal year 1986, the same level Congress approved for fiscal year 1985. The Committee also approved several amendments intended to assist Israel's economy.

During the markup on March 26 and 27, the Committee did not take action on proposals for a fiscal year 1985 supplemental for Israel. At the time of the markup, Administration officials had not decided on Israel's request for an FY 1985 supplemental to help cope with its economic problems, particularly the rapid depletion of its foreign currency reserves. Israel has requested a supplemental of $1.5 billion in ESF to be spread over 2 years. Secretary of State Shultz, in testifying before the Committee on March 15, declined to say exactly what criteria he was using in making a decision, but indicated he believed the Israeli Government would and should take additional economic reform measures, some of them involving legislation expected to be passed by the Israeli Knesset during March and April.

There was a consensus among Administration officials and members of the Committee that some form of transitional supplemental assistance will be necessary to help Israel through the current economic crisis. The Committee expects that an Administration proposal in this regard will be made before the bill reaches the Senate floor. Members indicated they will give it sympathetic consideration.

The economic situation.—Israel's economic problems began following the October 1973 war. As a result of the war, the United States provided Israel with FMS loans and grants to help replace damaged or destroyed equipment and to modernize its armed forces as Arab countries utilized their oil revenues to buy sophisticated military equipment in large quantities.

The growing problem was compounded by economic mismanagement and consumer-oriented policies. The delicate political balance in the Israeli multi-party system has made economic reform difficult. The new National Unity government elected last year, however, has been able to start a reform and austerity program which appears to be showing some signs of modest improvement. Major problems remain. Israeli and American government economists are generally agreed on the nature of remaining steps to be taken. Assessments differ somewhat over the speed with which the Israeli Government can implement the measures.

Among those measures already taken are steps to curb hyper-inflation and growing government deficits. These steps include a second wage-price agreement between labor unions and the manu-

facturers, reductions of between 18 percent and 55 percent in subsidies for food, energy and other items, a 6-month ban on the import of certain luxury goods, tightened foreign exchange control regulations and higher taxes for Israeli travelers. The shekel was devalued by 8 percent and further devaluations are continuing, although not as fast as urged by Secretary Shultz.

The Knessett on March 28 also approved cuts of about $2 billion from the 1984 government budget of more than $24 billion. The cuts include $1.1 billion in subsidies for food and various services and $300 million in defense spending. Administration officials question whether Israel will be able to sustain an austerity budget.

Committee actions

To assist Israel through its economic crisis, the Committee approved three amendments related to economic and military aid offered by Senator Boschwitz, chairman of the Near East and South Asia Subcommittee, permitting Israel to:

—Receive its ESF on an expedited basis, as was done in 1985. This amendment, co-sponsored by Senators Biden and Cranston, requires that ESF be distributed to Israel during the first 30 days of the fiscal year.

—Use up to $150 million of the FMS assistance to finance research and development in the United States for the new Israeli fighter plane, the Lavi, and $250 million for research, development and procurement in Israel. The amendment co-sponsored by Senator Biden, is similar to one approved last year except that the full amount would not need to be used for the Lavi unless sought by the Government of Israel, in the event the Israeli Government decides to stretch out the Lavi program.

—Bid on AID contracts for construction and engineering services in developing countries. The amendment, also co-sponsored by Senators Biden and Cranston, would allow countries receiving direct U.S. economic assistance, such as Israel, Turkey and Lebanon, to bid on construction contracts, as was the case before 1980.

The Committee noted that the Israeli government has made major efforts to deal with its economic problems and expects those efforts to continue. Israeli efforts to date are encouraging, but it is recognized that U.S. assistance can only help alleviate the impact of, rather than be a substitute for, Israeli reform efforts. It is the Committee's view that continued close cooperation and consultation on additional steps are necessary between the Israeli government and the Executive Branch and Congress in determining the most effective steps to enhance Israel's long-term economic strength.

EGYPT

The Administration's $815 million request, the same as fiscal year 1985, calls for the Egyptian assistance to be provided in three categories: $100 million as a cash transfer for budgetary support, $200 million for the Commodity Import Program (CIP) to finance

the import of U.S. commodities, and $515 million for development projects.

Last year Congress approved $100 million in cash transfers for fiscal year 1985. Egypt has requested an increase in this year's cash transfers, citing its growing balance of payments and debt servicing problems.

By voice vote, the Committee approved an amendment by Senator Boschwitz to provide a cash transfer of up to $200 million but not less than $165 million in order to encourage Egyptian economic reforms and its own development programs. The additional funds would be taken from the $515 million allocated for projects. In response to a question from Senator Zorinsky, Senator Boschwitz reaffirmed that the effect of his amendment would be that the cash transfer funds were not to be taken from the CIP, but rather from additional funds programed for projects. The backlog of obligated but unexpended funding is $2.4 billion.

In accepting the amendment, the Committee believes increased cash transfers can help Egypt meet its most pressing needs. Egypt is projected to run a balance of payments deficit of approximately $700 million in 1985. Short-term foreign debt has risen sharply, from about $4.9 billion in 1982–83 to $6.9 billion in 1983–84.

The Committee is concerned that Egypt has fallen $285 million in arrears in repaying the FMS loans. On March 6, Egypt paid two installments, totaling $62 million, on loan repayments which were due in June and July 1984. This payment forestalled application of the Brooke amendment which prohibits the provision of future assistance if existing loan repayments fall more than a year behind schedule. In fiscal year 1985, Egypt is scheduled to repay $560 million for previous FMS loans. The Egyptian FMS program went to an all-grant basis in fiscal year 1985. The Committee is increasingly concerned about the arrearage problem which results in additional penalty costs for Egypt.

Although the Egyptian Government has taken a number of steps to eliminate subsidies, major structural problems continue to exist in the Egyptian economy. U.S. and IMF officials have been pressing Egypt to take additional economic reforms. These measures include elimination of the three tiered foreign exchange rate, increases in energy prices to meet the cost of production and maintenance, and curtailment of remaining subsidies for energy, food, and other items.

Specifically in the area of energy, Egypt reportedly is planning to make some additional price increases in the near future in electric energy which currently is priced about twenty percent below the world market. These low prices have resulted in a waste of energy resources. The Committee suggests that AID continue efforts to help Egypt conserve energy and make more efficient use of its fuel and power generation assets.

The Committee also believes that direct budget support in the form of cash transfers should be a complement to reforms by the Egyptian Government including the release of foreign exchange for the private sector in Egypt. In addition, AID is encouraged to provide assistance to small Egyptian businesses entering joint ventures with American companies in order to promote private sector

initiatives and encourage new initiatives that would transfer U.S. managment expertise.

Such a move will be beneficial both to Egypt, in rationalizing its economic structure, and to the United States, in promoting investment opportunities for U.S. companies. The Committee expects AID to explore ways to enhance Egypt's private sector and improve prospects for U.S. investment in the Egyptian economy. The Committee also expect AID to keep it informed on progress in this area.

Finally, the Committee is encouraged that President Mubarak has revived efforts to renew the peace process. The Committee continues to believe that an important step in reviving the process is fostering confidence and trust between Israel and its Arab neighbors. However, Egypt's continued delay in returning its Ambassador to Israel remains an unnecessary irritant and impediment to the peace process.

D. Assistance to Greece, Turkey, and Cyprus.

The Committee accepted an amendment by Senator Pressler limiting grant MAP assistance for Turkey in fiscal year 1986 to $215 million, with the understanding that the United States Government is acting with urgency and determination to oppose the permanent bifurcation of Cyprus. The amendment also limits total FMS credits for Turkey for fiscal year 1986 to $500 million.

GREECE, TURKEY, CYPRUS

[In millions of dollars]

	Fiscal year—		
	1985 actual	1986 administration request	1986 SFRC recommendation
Turkey:			
ESF	175	150	[1] 150
MAP	215	230	215
FMS concessional	250	345	500
FMS market rate	235	210	
Greece:			
FMS concessional	258	0	500
FMS market rate	242	500	
Cyprus: ESF	15	3	15

[1] The Committee made no change in the Administration's $150 million ESF request for Turkey for fiscal year 1986.

The Committee accepted Senator Sarbanes' modification of the original Pressler amendment by recommending a $500 million FMS earmark for Greece and adding a provision that the concessional rate FMS credits extended to Greece shall be at the same interest rate and in the same proportion of the FMS credits extended to Turkey. The Committee noted that the 10:7 ratio of military assistance and the equal proportion of concessional rates for Turkey and Greece would properly reflect the traditional intent of Congress to provide a degree of balance in military assistance to the two countries.

With respect to the situation on Cyprus, the Committee remains committed to assisting efforts to achieve a peaceful resolution of the impasse and reunification of the island republic. The Commit-

tee notes with approval the recent good-faith efforts on the part of both Greek Cypriots and Turkish Cypriots in making possible the U.N.-sponsored January summit talks between President Spyros Kyprianou and Mr. Rauf Denktash, the first direct talks to take place since 1979. Although they ended inconclusively, the talks represent an important step toward the reunification of Cyprus and their resumption should be encouraged by all sides.

At the same time, the Committee is concerned by Mr. Denktash's recent announcement of June Presidential elections in Turkish-occupied Cyprus, which action would severely complicate the peace-seeking efforts of the interested parties. The Committee will therefore monitor developments very closely, with the hope that all parties will continue to engage in good-faith discussions and that there will be a return to the summit in the near future. If such good faith efforts by all sides do not continue, the Committee will be prepared to take appropriate actions to signal its concern and to encourage the resumption of the summit process.

In light of recent statements and actions by the Government of Greece, several Committee members questioned the appropriateness of earmarking $500 million for Greece and the provision of concessional rate credits proportional to those offered to Turkey. Nevertheless, the Committee, after considerable discussion, believes that U.S. foreign policy interests are best served by retaining both the earmark and the concessionality for Greece for fiscal year 1986.

The Committee also adopted an amendment by Senator Pell to increase the Economic Support Fund assistance for Cyprus from the $3 million requested by the Administration for fiscal year 1986 to $15 million, an amount equal to that authorized by the Committee for fiscal year 1985. These funds are intended to be used for educational scholarships and refugee resettlement on Cyprus.

The Committee particularly notes its support for enhancing educational opportunities for Cypriots and urges the Administration to continue to explore the possibility of establishing institutions of higher education on the island to address this priority. An interim measure to address this lack of higher education institutions on Cyprus is the utilization of U.S. institutions of higher education already present on the island to be followed by an expanded scholarship program for further education in the United States.

The Committee expects the Administration to keep it informed of progress in these matters.

E. Assistance to the Philippines

The issue of military assistance to the Philippines stimulated considerable debate at the Committee markup. There was unanimous agreement among Majority and Minority Members that the present situation in the Philippines has become extraordinarily dangerous in large measure because of political failures, suppression of civil liberties, corruption, economic mismanagement of the government of President Marcos and the military abuses associated with the regime's efforts to combat the Communist-led insurgency. It was the consensus that the traditional links between the United States and the Philippines, as well as continued use of Clark Field and Subic Naval Base, might be in jeopardy. Finally, it was generally agreed that vigorous action by the Administration is required.

Differences among Committee Members arose primarily over what actions should be taken to bring pressure to bear upon the Marcos government to effect basic reforms.

Senator Kerry introduced an amendment which would have reduced MAP grant assistance from $50 million to $25 million, and FMS credits from $50 million to $15 million. The amendment stipulated that these assistance funds would be made available only when the President certified that the Government of the Philippines had made significant progress in ending human rights abuses, had made substantial efforts to stop extra-judicial killings by members of the Philippine Armed Forces and to prosecute those responsible for such killings, and had undertaken substantial reform of the Armed Forces to reduce corruption and human rights abuses. The Kerry amendment also required certification that the Philippine Government is prepared to establish procedures for free and fair local elections in 1986 and a presidential election in 1987 open to all candidates and political parties, with access for internationally recognized observers. Finally, the amendment required a certification that the Philippine Government had cooperated fully with the effort to bring to justice all persons involved in the Aquino assassination and subsequent cover-up. The amendment would not have affected the Administration's fiscal year 1986 request for Economic Support Funds for the Philippines.

Senator Lugar as well as several other members expressed full agreement with the ultimate purpose of Senator Kerry's amendment. The majority of the Committee felt, however, that the amendment would unduly constrain the Administration and, in the end, not accomplish the desired objectives. The delicacy of the present diplomatic situation, the need to maintain U.S. obligations to the Philippines in order to accomplish our political and security objectives, and the questionable utility of certification requirements were cited by Committee members. The amendment was rejected by the Committee, sustaining the Administration's request for $50 million in MAP, $50 million in FMS credits, and $95 million in ESF. Several members expressed support for continuation of the Administration's current efforts to encourage constructive change in the Philippines.

F. Assistance to Central America

Consonant with the recommendations of the National Bipartisan Commission on Central America, the Administration requested a comprehensive, multi-year authorization of economic assistance for this critical region. After careful consideration and extended discussion of this proposal, the Committee approved a package which was substantially the same as the Administration's request.

Senator Dodd introduced a package of amendments to do the following: cap assistance for the region, impose conditionality on aid to El Salvador and Guatemala, prohibit direct or indirect flows of assistance to the Contras and make the Contadora process the centerpiece of U.S. diplomacy in the area. These amendments were considered and rejected by the Committee.

The Committee adopted an amendment by Senator Pell prohibiting certain types of direct or indirect assistance to the Contras. This new provision states: (1) no aid provided under this Act, the

Foreign Assistance Act or Arms Export Control Act shall be used to render assistance of any kind, either directly or indirectly, to any individual or group engaged in insurgency against the Nicaraguan Government; and (2) the U.S. Government shall make no agreement with a recipient of U.S. aid or purchaser of U.S. military equipment to provide such assistance.

In other action, the Committee adopted an amendment offered by Senator Mathias to designate the institution proposed by the Administration to further economic coordination among the nations of the area as the Central American Development Organization (CADO). An amendment by Senator Kassebaum to delete the multi-year authorization of economic assistance for Central America failed on a tie vote. And a Lugar-Dodd amendment urging the President to establish a Task Force to study the contribution that the use of Employee Stock Ownership Plans could make until the achievement of U.S. objectives in Central America was approved.

G. Assistance to Pakistan

The Committee adopted a provision offered by Senators Mathias, Pressler, and Boschwitz to strengthen the nuclear non-proliferation conditions on our assistance and military sales to Pakistan. The amendment requires the President, as a condition of further assistance and military sales, to certify that Pakistan does not possess a nuclear explosive device and that the proposed U.S. assistance will reduce significantly the risk of Pakistan possessing such a device.

The amendment is identical to one adopted by the Committee last year. The Administration testified in support of the amendment. Under Secretary of State William Schneider told the Committee that U.S. intelligence focuses on potential nuclear proliferation risks and that "we believe we would have the capability to know whether or not a country has such a device."

The Committee believes that continued U.S. assistance to the people of Pakistan is in the national security interests of both countries. The Committee is deeply concerned by the continued development of military capabilities in Pakistan's unsafeguarded nuclear program which jeopardizes future U.S. economic and military assistance.

The amendment is directed to Pakistan because that country is the only aid recipient with a statutory exemption from the existing nuclear non-proliferation requirements contained in Section 669 of the Foreign Assistance Act. The Committee is also deeply concerned about nuclear proliferation risks worldwide.

The Committee is also concerned about India's nuclear program. The Committee notes that India actually detonated a nuclear explosive device in 1974, that India has rejected Pakistani proposals that both countries sign the Nuclear Non-Proliferation Treaty, and that India is now operating unsafeguarded reactors. The Committee believes any Indian effort to exploit the military capabilities of its nuclear program will seriously harm prospects for future U.S. assistance of cooperation with that country.

H. Assistance to Morocco

The Administration's proposal to increase economic and military assistance to Morocco in fiscal year 1986 presented the Committee with conflicting concerns.

The United States has had a long-standing friendship with Morocco and has tried to help that country meet its difficult economic and military requirements. Morocco and the United States have worked together for their mutual benefit, including peace and stability in the Middle East. This has included access to Morocco's strategically-located bases for emergency purposes. At the same time the Committee, which has in the past given considerable support for Morocco, is deeply concerned about the Morocco-Libya Treaty of Union reached last year.

The surprise announcement of the union was most disturbing and had the effect of enhancing the stature of Colonel Qadhafi of Libya at a time when the United States and other countries have been trying to curb his support for international terrorism and his attempts to destabilize neighboring countries. With these concerns in mind, the Committee did not earmark or recommend full funding for Morocco's aid program, as it did last year. Consequently, Morocco will not be protected when the Administration decides how to work out country-by-country allocations on the reduced funding levels recommended by the Committee.

The Committee expects the Administration to abide by its assurances to closely monitor the implementation of the Morocco-Libya union. Any action by Morocco to implement the union with Libya in a meaningful way, particularly in the military area, would be a cause for grave concern and would necessitate a re-examination of the full range of U.S. relationships, including military and economic assistance, with Morocco.

I. Assistance to Tunisia

In recognition of Tunisia's economic problems and its responsible efforts to meet its problems, the Committee approved by voice vote an amendment by Senator Boschwitz to earmark not less than $20 million in economic support funds and not less than $15 million in MAP funds for that moderate North African country.

The earmarked levels are slightly below the Administration's request for Tunisia in fiscal year 1986 but Senator Boschwitz stated that it was not his intention to prevent the Administration from fully funding Tunisia. In adopting this amendment, the Committee intends to establish a floor for Tunisian economic assistance.

The Tunisian Government has made efforts to introduce economic reform measures but has had to consider likely domestic reactions. Violence broke out early last year, for example, against cutbacks in subsidies for bread. The Committee notes that Tunisia is facing a growing total external debt problem and this year is scheduled to repay the United States $100 million. Tunisia also is spending about $7 million annually to educate more students in the United States.

For the past 5 years the Committee has expressed its concern about Tunisia's situation, and welcomes the Executive Branch's recognition of the need for continued economic assistance, especial-

ly in view of Libya's efforts to exploit economic problems, including high unemployment, and destabilize the government.

J. Guaranty Reserve Fund

The Committee is deeply concerned about the future of the Guaranty Reserve Fund (GRF) and its overall relationship to FMS financing. The Committee rejected an Administration request to provide an open-ended authorization for the fund. Instead the Committee adopted an amendment by Senator Murkowski requiring the Administration to provide a report analyzing the future of FMS financing and various means of providing for replenishment of the Guaranty Reserve Fund.

Because of its request for a permanent and open-ended authorization, the Administration did not request, and the Committee did not provide, any funding for the Guaranty Reserve Fund. The Administration has stated that sufficient funds are available in the GRF to meet all obligations for fiscal year 1986. Consequently, the Committee does not anticipate a need for any additional budget authority in this fiscal year.

The Committee is well aware that the draw down of the GRF is the result of late payments and rescheduling of outstanding loans. The Administration is urged to take all reasonable measures to slow the depletion of the GRF while developing a proposal which places the GRF on a firm financial foundation.

Section-by-Section Analysis

TITLE I—MILITARY SALES AND RELATED PROGRAMS

Section 101—Foreign military sales credits authorization and aggregate ceilings

Fiscal year:	*Millions*
1985 continuing resolution appropriation	$4,939.5
1986 request	5,655.0
1986 recommendation	5,464.5

Section 101 (a) and (b) modify current law to provide an authorization for appropriations of $5,464.5 million for FMS direct credits. The funds include (1) forgiven loans for Israel and Egypt, (2) concessional loans, (3) market rate loans with extended repayment terms and (4) market rate loans previously provided through the Federal Financing Bank.

Section 101(c) contains $1.8 billion in FMS grants for Israel and includes an amendment authorizing a portion of the funds to be used for helping Israel develop and produce its new jet fighter plane, the Lavi. The amendment, offered by Senator Boschwitz, allows $150 million to be used for research and development in the United States and states that $250 million shall be for procurement, R&D and production in Israel. The Committee amendment slightly modifies the Lavi amendment passed by Congress in the 1985 Continuing Resolution by stating that these funds be available for the Lavi if the Government of Israel so requests. It is the Committee's basic belief that support for the Lavi program, which Israel has made clear it is determined to finish, will help assist the Israeli economy and security.

Section 101(d) adds Thailand to the list of countries which receive extended repayment terms for their market rate FMS loans. The list of countries to which extended repayment terms are available includes Greece, Korea, the Philippines, Portugal, Thailand and Turkey. Senator Murkowski introduced an amendment, which was not adopted, that would have eliminated extended repayment terms. The amendment was defeated by a vote of 2 to 7.

Section 101(e) earmarks $1,300 million in FMS forgiven credits to Egypt.

Section 101(f) repeals two obsolete provisions concerning prior year credits to Sudan and Israel.

Section 102—Valuation of certain defense articles

Section 102, introduced by Senator Pressler, would require that U.S. vessels sold to foreign governments shall be sold only at their full and fair value. It further requires that any conversion costs borne by the United States in preparing ships for sale to other governments be passed on to the customer.

A GAO report entitled "Excess Navy Ships Sold to Foreign Countries at Understated Prices," concluded that the failure to fully price ships sold abroad has cost the U.S. taxpayer millions of dollars. Instead of selling these vessels at their true value, these vessels have been sold for a fraction of their value. This amendment will correct this situation by requiring sales of ships to include conversion costs in determining value.

The provision states that for purposes of clause (A) of paragraph (1), the actual value of a naval vessel of 3,000 tons or less and 20 years or more of age shall be considered to be not less than the greater of the scrap value or fair market value (including conversion costs) of such vessel, as determined by the Secretary of Defense. Subsection (b) is a conforming amendment.

Section 103—Administrative surcharges

Section 103 amends paragraph 1(A) of section 21(e) of the Arms Export Control Act to further explain that the "costs" which must be reconverted by the United States Government are those costs which would not otherwise be incurred by the United States. This change is comparable to the revision of training prices effected by section 115 of Public Law 96-533. Enactment of this amendment is not expected to result in a reduction of the current administrative surcharge percentage, but will avoid the necessity of an immediate increase in the percentage levied on all foreign military sales.

Section 104—Catalog data and services

The Arms Export Control Act permits in-kind reciprocal exchange of some services with NATO countries, but still requires that the United States charge for catalog data and services. In fiscal year 1982 such charges amounted to $850,000. Other countries are beginning to charge DOD in return, with DOD paying over $100,000 in fiscal year 1982. In future years, as efforts intensify to increase NATO standardization, there will be increasing requests for cataloging and codification services which DOD performs pursuant to chapter 145 of title 10 United States Code. Section 104 would avoid a series of sales cases for relatively minor transactions

with those NATO countries providing similar services free of charge to the United States.

Section 105—Contract administration services

Section 105 amends section 21(h) of the Arms Export Control Act and would add contract administration services to the list of defense-related services that can be provided without charge on a reciprocal basis with NATO allies. Contract administration services are an integral part of overall contract management and would further facilitate NATO cooperation and contribute to more burden sharing within the Alliance.

Section 106—Sales credits

This section authorizes the Administration to charge lower than market interest rates, i.e., concessional rates, on FMS loans provided under section 23 of the Arms Export Control Act and to require repayment in U.S. dollars within 12 years of the loan agreement, unless otherwise authorized by law. This would continue the concessional FMS loan program begun in fiscal year 1985.

Several Committee members expressed concern over provision of concessional rate loans. The Committee notes that during hearings on the fiscal year 1986 security assistance request the Administration witnesses testified before the Committee that concessional loans would be set at a rate nor lower than 5 percent.

Section 107—Report on replenishment of the guaranty reserve fund

Fiscal year:	*Millions*
1985 continuing resolution appropriation	$109.0
1986 request	0.0
1986 recommendation	0.0

A provision offered by Senator Murkowski amends section 24 of the Arms Export Control Act by requiring the President to transmit a report to the Congress within 90 days of enactment containing the history of U.S. financing of foreign military sales, the criteria used by the administration for allocating concessional credits, recommendations on ways to replenish the Guaranty Reserve Fund and other security assistance financing matters to be worked out in consultation with the chairman and the ranking minority member of the Committee.

Section 107(b) is a technical amendment inserting the term "Guaranty Reserve Fund" into statutory language because the language in Section 24 of the Arms Export Control Act now refers only to a "single reserve."

Section 108—Reporting requirement

Section 108 would revise the reporting requirement of section 25(a)(4) to apply only to sales and deliveries of major weapon systems to recipient countries in the developing world. The section, as amended, would exclude from the required report estimates of sales and deliveries among NATO countries, Japan, Australia and New Zealand and among Warsaw Pact countries. This change would conform the statutory language to the intentions of the Congress. The amendment would also establish an April 1 deadline for the report. This change would allow inclusion of full calendar year

data on sales and deliveries in the information presented to Congress.

Section 109—Report on cash flow financing

This amendment, introduced by Senator Pressler, requires a report to Congress whenever a nation receives cash flow financing in excess of $100,000,000. The amendment also requires the Administration to provide the cash flow amount approved by the United States, the management controls in place and a description of the financial resources available to such countries to pay for cash flow financing. In the desire to assist America's friends and allies in acquiring military hardware, the United States has adopted a policy of cash flow financing. Under this arrangement, several governments have placed orders for military equipment costing well in excess of amounts authorized to date by the Congress. The amendment further defines that is meant by "cash flow financing."

Section 110—Cooperative agreements on air defense in central Europe

This amendment continues the legislative authority for the implementation of the Patriot Agreement (Cooperative Agreements or Air Defense in Central Europe) which had been part of the Defense Authorization Bill for FY 1985. Because this authority involves the transfer of defense articles and services to West Germany and the waiving of administrative and other charges required for arms sales under the Arms Export Control Act, it therefore falls under the jurisdiction of the House Committee on Foreign Affairs and the Senate Committee on Foreign Relations.

Section 111—Increase in criminal penalties for certain violations of the Arms Export Control Act

Changes in the Export Administration Act imposed potentially greater penalties for persons violating commercial export laws and regulations than for those violating section 38 of the Arms Export Control Act (AECA). Section 111 would increase the maximum criminal penalty for certain violations of the AECA from $100,000 or 2 years imprisonment or both, to $1 million or 10 years imprisonment or both. The ceiling for civil penalties for violations would be raised from $100,000 to $500,000.

Section 112—Official reception and representation expenses

Section 112 amends section 43(b) of the Arms Export Control Act to provide that the United States can recover "official reception and representation expenses" as well as administration expenses for services calculated under section 21(e)(1)(A) of the Act. The amendment will permit use of up to $72,500 of the funds generated from administrative services to augment military assistance funds available for security assistance representational activities.

Section 113—Special defense acquisition fund

This section amends section 51(a) of the Arms Export Control Act to provide authority to procure certain advanced, front-line weapon systems with the Special Defense Acquisition Fund (SDAF) monies to replace items drawn down from U.S. service stocks for the pur-

pose of foreign sale. This is supported by the GAO Report, "Design and Operation of SDAF can be Improved", of January 15, 1985. The Committee understands that this authority would be used only when items for foreign sale are no longer available from production and are to be drawn from service inventories. In such instances, newer equipment would be procured for reimbursement to the Services. Under this authority, equipment such as the AIM-7M Missile, the AIM-9M missile, the IRR Maverick missile and the Stinger Post missile would be procured with SDAF funds to replace less advanced models taken from service inventories. In response to a Committee inquiry on how this amendment would function, the Executive branch cited, as an illustration, the following example: The SDAF would buy AIM-9Ms in anticipation of selling the missiles directly to an approved FMS customer within the procurement lead time of AIM-9Ms, but needs the authority to procure AIM-9Ms for the purpose of selling them to the Air Force or Navy as a payback for the release of AIM-9P3 or AIM-9L missiles from inventory. The Committee also understands that countries or international organizations procuring items from service stocks will pay the full replacement cost of the more advanced items for replacement in service inventories.

The amendment would also permit procurement of logistical supply support items through the Defense Logistics Agency to keep on continuous order those items and services of high anticipated demand.

Section 114—Military assistance costs

This amendment to section 503(3) of the Foreign Assistance Act would delete the cost of U.S. military salaries from the overall cost of FMS-purchased training and services for countries which purchase the training with Military Assistance Program (MAP) funds. The provision would enable countries to stretch their MAP funds farther through reduced charges for training by excluding the salary-related costs of services, including those relating to Moble Training Teams and Technical Assistance Teams.

Section 115—Military assistance

Fiscal year:	*Millions*
1985 continuing resolution appropriation	$805.1
1986 request	949.4
1986 recommendation	805.1

Section 115 provides $805.1 million in new fiscal year 1986 authorization for appropriations, $144.25 million below the Administration's request. The Committee earmarked not less than $15 million for Tunisia.

Section 116—Stockpiling of defense articles for foreign countries

This section amends section 514(b)(2) of the Foreign Assistance Act to authorize $360 million in fiscal year 1986 for additions to overseas stockpiles of defense articles (other than in NATO countries) which are designated as war reserve stocks for allied or other foreign forces. The United States retains title to any stocks so designated. Transfer of these stocks to a foreign country may take place only under the authority of the Foreign Assistance Act or the

Arms Export Control Act, and within the limitations and funds available under the Acts. It is the Committee's understanding that all such authority shall be used for stockpiles in South Korea.

Section 117—Security assistance organizations

Section 117 provides specific authorization under section 515(c)(1) of the Foreign Assistance Act to station more than six military personnel in certain countries to manage the implementation of U.S. security assistance programs. The countries and the maximum military personnel authorized for fiscal year 1986 are limited to those specified in the Congressional Presentation Document. This section would add, for fiscal year 1986, five new countries to the twelve countries currently authorized in the statute to have more than six uniformed personnel assigned to them for managing security assistance programs. The Committee deleted Venezuela from the list of countries requested by the Administration and limited the authorization to fiscal year 1986.

This section lists new countries authorized increases and the maximum number of U.S. military personnel in their U.S. security assistance organizations. The countries and the specified limits are:

El Salvador	13
Tunisia	7
Pakistan	11
Honduras	11
Sudan	7

The fiscal year 1986 limit also applies to the twelve countries previously authorized to exceed the limit of six U.S. military personnel in their U.S. security assistance organizations. The countries and the specified limits are:

Indonesia	15
Korea	95
Philippines	27
Thailand	33
Egypt	33
Jordan	12
Morocco	12
Saudi Arabia	81
Greece	15
Turkey	42
Portugal	10
Spain	17

Section 118—International military education and training

Fiscal year:	*Millions*
1985 Continuing resolution appropriations	$56.221
1986 request	65.700
1986 recommendation	56.221

Section 118 provides $56.211 million in new fiscal year 1986 authorization for appropriation for grant military training. The Committee continued this program at the FY 1985 funding level.

Section 119—Exchange training

Section 119 amends Chapter 5, Part II and adds a new section 544 to the Foreign Assistance Act to authorize professional military education on a reciprocal one-for-one barter exchange basis with eligible foreign countries. Professional military education includes a

study by foreign military personnel at U.S. war colleges and U.S. command and staff colleges in the United States and U.S. officers attending comparable military colleges in other countries. It is expected that this would encourage more foreign military education in the United States than currently exists, since U.S. schools must now charge foreign students—even though U.S. personnel are often allowed to attend foreign military schools without cost.

Section 120—Training in maritime skills

This section, initiated by Senator Pell, would make a specific and narrow exception to section 660 of the Foreign Assistance Act, which generally prohibits police training or surveillance training for foreign governments. When enacted, section 660 was intended to prevent use of assistance provided under the FAA for foreign police forces or other civilian law enforcement forces. In its current form, however, this section also has the effect of inhibiting the U.S. Coast Guard from providing any training in maritime law enforcement for foreign governments. As a result, the U.S. Government is now restrained in helping other countries enhance their port security, increase boating safety, or curb smuggling and violations of fisheries agreements. This section would allow the United States to provide assistance or training in these important maritime law enforcement functions where the Administration finds it appropriate to do so. This amendment does not restrict the ability to provide defense articles, defense services, or training for foreign coast guards in appropriate circumstances.

Section 121—Authorization for peacekeeping operations

Fiscal year:	*Millions*
1985 Continuing resolution appropriations	$44.0
1986 request	37.0
1986 recommendation	37.0

This section authorizes $37.0 million for international peacekeeping operations. The United States intends to provide budgetary contributions of $28 million to the Multinational Force and Observers (MFO) in the Sinai and $9 million to the United Nations Forces in Cyprus (UNFICYP).

Section 122—Peacekeeping operations emergencies

Section 552(c) of the Foreign Assistance Act (FAA) is amended to provide that the President may draw down commodities and services of an aggregate value not to exceed $25 million for each fiscal year from any United States Government agency for peacekeeping purposes, if he determines that an unforeseen emergency requires immediate assistance under the peacekeeping provisions of the FAA. Section 652 of the FAA is amended to require that the President notify the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate in writing should he intend to exercise this authority, stating the justification for, and the extent of, the exercise of such authority.

Section 123—Security Assistance to Turkey and Greece

Section 123(a) provides that no more then $215 million may be made available for grant military assistance (MAP) for Turkey for

fiscal year 1986. Funding is provided with the understanding that the U.S. Government acts "with urgency and determination to oppose any actions aimed at effecting a permanent bifurcation of Cyprus."

Section 123(b) provides that no more than $500 million in FMS credits may be extended to Turkey and $500 million shall be extended to Greece in fiscal year 1986.

Section 123(c)(1) provides that the proportion of total FMS credits extended to Greece at the low interest concessional rates be the same proportion of the total FMS credits extended to Turkey at the low interest concessional rates for fiscal year 1986.

Section 124—Prohibition on the provision of certain security assistance for Lebanon

Section 124, introduced as an amendment by Senator Boschwitz, denies the Administration's request for $10 million in Foreign Military Sales credits for Lebanon in fiscal year 1986. The Committee noted that $23 million in FMS credits remains unexpended from previous appropriations for Lebanon and that, in a time of austerity, the proposed fiscal year 1986 credits for Lebanon could be utilized better elsewhere.

Section 125—Exemption of certain safety-related equipment from prohibition on military sales to Chile

This section would exempt only the sale of specific safety-related equipment to Chile from the general prohibition in section 726 of the International Security and Development Cooperation Act of 1981 on the sale of defense articles and services or export licenses under the AECA.

The Committee approved this amendment after the Administration specified the safey-related items to be cartridge-actuated devices, propellant-actuated devices to assist pilots ejecting in emergencies or technical manuals for F-5E/F or A/T-37 type aircraft sold to Chile by the United States prior to January 1, 1976. In adopting this amendment the Committee in no way intends to signal any lessening of its concern about human rights violations in Chile nor of its desire for a restoration of democracy in that military-ruled country.

Section 126—Leasing authority

Section 126, introduced as an amendment by Senator Pressler, sets new standards for the price to be charged to foreign governments for leasing of U.S. naval vessels.

In 1981, Congress enacted chapter 6 to the Arms Export Control Act to end rent-free leasing of U.S. military equipment and to assure the proper management of U.S. Government property leased to foreign governments. It was clearly the intent of Congress that military equipment leased to foreign governments be provided at a fair rent and that leased equipment be monitored to assure its proper use. The Navy asserted, however, that ships it provides under section 7307 of title 10, United States Code, were not subject to the prohibition against rent-free leases nor were subject to the oversight required by chapter 6 of the AECA.

The results of this practice were reported in a GAO study entitled "Defense Department's Management Of Property Leased To Foreign Governments Is Still Inadequate." The GAO found that the Navy has provided over $65.3 million in U.S. military equipment, including ships valued at over $62 million, on a rent-free basis. The benefits have been reaped by nations capable of paying rent for U.S. equipment, including Greece, Italy, and Turkey. This section, developed with the assistance of the GAO, would end these abuses.

Section 127—Certification concerning AWACS sold to Saudi Arabia

Introduced by Senator Cranston, this section would codify the Presidential commitments of October 28, 1981 concerning the sale of AWACS planes that are scheduled for delivery to Saudi Arabia beginning in fiscal year 1986. The section does not include additional certification requirements beyond those of the 1981 commitments. The Committee unanimously approved the amendment as a vehicle to reaffirm these commitments and to stress the importance of compliance by the Government of Saudi Arabia.

The 1981 Presidential commitments to the Congress related to compliance by the Government of Saudi Arabia with conditions in the following areas: "Security of Technology", "Access to Information" by the United States, "Control over Third-Country Participation", "AWACS Flight Operation", "Command Structure" and that the sale contributes to "Regional Peace and Security".

The amendment requires that, before transfer of the aircraft to Saudi Arabia, the President shall submit a certification to the Congress containing agreements with Saudi Arabia that the conditions have been met.

The amendment further stipulates that the President notify the Congress promptly of any changes being considered by the United States in these arrangements.

The 1981 letter detailing the Presidential commitments on the AWACS sale to Saudi Arabia follows:

OCTOBER 28, 1981.

Hon. HOWARD BAKER, Jr.,
Majority Leader,
U.S. Senate,
Washington, DC.

DEAR SENATOR BAKER: On October 1, 1981, I formally notified the Congress of our intention to sell AWACS aircraft and F-15 enhancement items to Saudi Arabia. This sale will enhance our vital national security interests by contributing directly to the stability and security of the critical area from the Persian Gulf through the Middle East to North Africa. It will improve significantly the capability of Saudi Arabia and the United States to defend the oilfields and facilities on which the security of the Free World depends, and it will pose no realistic threat to Israel.

When this proposed sale was first announced last spring, the Congress expressed concerns about certain aspects of the sale. After analyzing these concerns in detail, we entered into a series of discussions with the Government of Saudi Arabia over the summer.

The Government of Saudi Arabia has agreed, and I am convinced welcomes the fact, that the United States will have an important long-term role and will maintain direct involvement in the development of the Saudi air defense system, including the AWACS.

We also have reached agreement with the Saudi Government on a number of specific arrangements that go well beyond their firm agreement to abide fully by all the standard terms of the normal Letter of Offer and Acceptance as required by the Arms Export Control Act.

Transfer of the AWACS will take place only on terms and conditions consistent with the Act and only after the Congress has received in writing a Presidential certificiation, containing agreements with Saudi Arabia, that the following conditions have been met:

1. Security of technology

A. That a detailed plan for the security of equipment, technology, information, and supporting documentation has been agreed to by the United States and Saudi Arabia and is in place; and

B. The security provisions are no less stringent than measures employed by the United States for protection and control of its equipment of like kind outside and continental United States; and

C. The United States has the right of continual on-site inspection and surveillance by U.S. personnel of security arrangements for all operations during the useful life of the AWACS. It is further provided that security arrangements will be supplemented by additional U.S. personnel if it is deemed necessary by the two parties; and

D. Saudi Arabia will not permit citizens of third nations either to perform maintenance on the AWACS or to modify any such equipment without prior, explicit mutual consent of the two governments; and

E. Computer software, as designated by the U.S. Government, will remain the property of the USG.

2. Access to information

That Saudi Arabia has agreed to share with the United States continuously and completely the information that it acquires from use of the AWACS.

3. Control over third-country participation

A. That Saudi Arabia has agreed not to share access to AWACS equipment, technology, documentation, or any information developed from such equipment or technology with any nation other than the U.S. without the prior, explicit mutual consent of both governments; and

B. There are in place adequate and effective procedures requiring the screening and security clearance of citizens of Saudi Arabia and that only cleared Saudi citizens and cleared U.S. nationals will have access to AWACS equipment, technology, or documentation, or information derived therefrom, without the prior, explicit mutual consent of the two governments.

4. AWACS flight operations

That the Saudi AWACS will be operated solely within the boundaries of Saudi Arabia, except with the prior, explicit mutual consent of the two governments, and solely for defensive purposes as defined by the United States, in order to maintain security and regional stability.

5. Command structure

That agreements as they concern organizational command and control structure for the operation of AWACS are of such a nature to guarantee that the commitments above will be honored.

6. Regional peace and security

That the sale contributes directly to the stability and security of the area, enhances the atmosphere and prospects for progress toward peace, and that initiatives toward the peaceful resolution of disputes in the region have either been successfully completed or that significant progress toward that goal has been accomplished with the substantial assistance of Saudi Arabia.

The agreements we have reached with Saudi Arabia on security of technology, access to information, control over third-country participation, and AWACS flight operations will be incorporated into the U.S./Saudi General Security of Military Information Agreement, the Letter of Offer and Acceptance (the government-to-government sales contracts), and related documents. These documents will stipulate that the sale will be cancelled and that no equipment or services will be delivered in the event any of the agreements is breached. I will not authorize U.S. approval of any of these contracts and agreements until I am satisfied that they incorporate fully the provisions that satisfy the concerns that you and I share. I do not foresee any need for changes in these arrangements, but should circumstances arise that might require such changes, they would be made only with Congressional participation.

I believe it is important to look beyond these agreements to their practical consequences, and to the implications of U.S. security assistance and training requested by Saudi Arabia. For example, the agreement we have reached with the Saudi Government protect the security of equipment also affects the nature, extent, and duration of the U.S. role in the AWACS program. Since skilled Saudi personnel available for this program will remain in short supply, the U.S./Saudi agreement that third-country nationals will not be permitted to operate or maintain the Saudi AWACS will, in practice, extend U.S. involvement in Saudi AWACS operations and activities well into the 1990s. U.S. military and contractor personnel will be required to provide extensive operational training for Saudi AWACS aircrews; it will be 1990 at the earliest before the eight Saudi crews needed to operate all five AWACS aircraft will be trained, and replacement and refresher training of individual Saudi crew members will require USAF Technical Assistance Field Teams during the 1990s. Critical AWACS maintenance, logistics, and support functions, particularly radar and computer software support, will, of necessity, be performed by U.S. personnel in Saudi Arabia and in the United States, for the life of the AWACS.

The Saudi agreement not to share AWACS-gathered information with third countries also has significant practical consequences. This agreement, combined with the standard requirement that U.S.-supplied equipment be used solely for defensive purposes, as well as the agreed-to Saudi AWACS configuration, precludes any possibility that Saudi AWACS could contribute to coordinated operations with other countries' armed forces against any nation in the region without our consent and cooperation.

Concerning the agreement to operate AWACS only inside the Kingdom, it should also be noted that the Saudi Air Force will be trained to operate the AWACS in accordance with standard USAF AWACS doctrine and procedures, which call for AWACS to remain at all times a "safe distance" behind sensitive political borders—normally 100 to 150 nautical miles—to ensure AWACS security and survivability. Given the physical location the oilfields AWACS is to defend the vulnerability of AWACS should it operate near sensitive borders, and the history of Saudi observance of U.S. Air Force tactical doctrine, we are confident that the Saudis will adopt these practices.

In a broader sense, by enhancing the perception of the United States as a reliable security partner, we improve the prospects for closer cooperation between ourselves and the Saudi Government in working toward our common goal of a just and lasting peace in the region. Since assuming the responsibilities of the Presidency, I have been impressed by the increasingly constructive policy of Saudi Arabia in advancing the prospects for peace and stability in the Middle East. The Saudi Government's critical contribution to securing a ceasefire in Lebanon is a striking example. I am persuaded that this growing Saudi influence is vital to the eventual settlement of the differences that continue to divide Israel and most of the Arab world.

I am confident that the Saudi AWACS will pose no realistic threat to Israel. I remain fully committed to protecting Israel's security and to preserving Israel's ability to defend against any combination of potentially hostile forces in the region. We will continue to make available to Israel the military equipment it requires to defend its land and people, with due consideration to the presence of AWACS in Saudi Arabia. We have also embarked on a program of closer security cooperation with Israel. This proposed sale to Saudi Arabia neither casts doubt on our commitment, nor compromises Israeli security.

It is my view that the agreements we have reached with the Government of Saudi Arabia take account of the concerns raised by the Congress. I am persuaded, as I believe the Congress will be, that the proposed Saudi air defense enhancement package makes an invaluable contribution to the national security interests of the United States, by improving both our strategic posture and the prospects for peace in the Middle East. I look forward to continuing to work with you toward these vital goals.

Sincerely,

RONALD REAGAN.

TITLE II—ECONOMIC SUPPORT FUND

Section 201—Economic support fund

This section amends Chapter 4 of Part II of the Foreign Assistance Act to authorize appropriations of $2.015 billion in economic support funds for the Camp David countries and $1.826 billion for all other countries, and to modernize outdated provisions of current law.

Policy

Senator Lugar, for himself and Senator Biden, introduced an amendment which includes a provision adopted by the Committee last year that clarifies Congressional intent with respect to the purposes and uses of the ESF program.

The provision adopted by the Committee:

clarifies the language in the Foreign Assistance Act which governs ESF to make the link between development and economic support assistance more explicit;

directs that, to the maximum extent feasible, commodity import programs (CIP) and other related programs generate local currency of which at least 50 percent should be programmed for development activities; and,

requires a detailed report, as part of the already required annual Congressional presentation documents, which justifies the uses and purposes of ESF, delineating cash grants from development project aid.

In adopting this provision, the Committee intends to provide a framework for implementing the ESF program. This provision does not incur any additional taxpayer cost for foreign aid programs by moving more toward programming local currency generation in Commodity Import Programs; it provides additional development resources for the very countries most in need of such aid.

The Committee wishes to emphasize that this does not require the President to shift any of the ESF he is requesting to any other program or purpose. It does, however, require a more detailed justification for a program that is more than twice the size of the development aid program, but has fewer conditions or reporting requirements than any major aspect of the development aid program. The Committee supports continued flexibility in the ESF program, but also seeks to ensure that Congress is fully cognizant of the different purposes of these funds.

Earmarks

As in the legislation reported last year, the Committee authorizes funding levels distinguishing between Camp David and non-Camp David countries. The bill specifically earmarks funding for Israel and Egypt at the FY 1985 levels.

The Committee also adopted an amendment offered by Senator Pell earmarking $15 million in Economic Support Funds for Cyprus and $80 million for Portugal. An amendment offered by Senator Boschwitz and approved by the Committee provided Tunisia with not less than $20 million in Economic Support Funds. In adopting this earmark the Committee intends to establish a floor for Tunisian economic assistance. The Committee adopted an

amendment offered by Senator Boschwitz which deletes the Administration's request for $10 million by prohibiting the provision of any FY 1986 ESF for Lebanon.

The Committee approved an amendment to permit Israel to draw all its ESF funds during the first 30 days of the first quarter. The Administration followed this procedure in October 1984, for the fiscal year 1985. This amendment, similar to one passed by the Committee in 1984 and offered this year by Senators Boschwitz, Biden and Cranston, is intended to help bolster Israel's sagging foreign currency reserves.

In considering aid to Egypt, the Committee approved an amendment by Senator Boschwitz to provide up to $200 million and at least $165 million of ESF funds as a cash transfer.

General provisions

The Committee also approved an amendment introuduced by Senator Zorinsky earmarking at least 20 percent of the ESF funds used for commodity import programs for the purchase of agricultural commodities from the United States.

This section reauthorizes the prohibition in the use of Economic Support Funds for fiscal year 1986 to finance the construction, operation and maintenance, or the supply of fuel for any nuclear facility in a foreign country unless the President certifies to Congress that the country in question "is a party to the Non-Proliferation Treaty, cooperates fully with the International Atomic Energy Agency, and pursues nuclear non-proliferation policies consistent with those of the United States."

The Committee eliminated prior year earmarks of Economic Support Funds under section 532, 533, 534, 536, 537, 538, 539, and 540 of the Foreign Assistance Act.

The Committee also reauthorized section 535 of the Foreign Assistance Act which permits the President to reprogram up to $75 million of earmarked funds for emergency use if it is in the national interest to promote economic or political stability abroad.

The Administration has requested $5 million in ESF funds for the American University of Beirut, in addition to the $5 million the Administration has proposed to provide through the American Schools and Hospital Abroad (ASHA) program used to help finance AUB in the past.

The additional funds were requested because of the difficulties the AUB hospital has been facing in receiving reimbursement from patients and the Lebanese Government for medical services. This has increased AUB's financial problems. It is in the U.S. and Lebanese interest to ensure that the AUB institutions survive financially during this period of chaos on Lebanon. The Committee continues to support the University and its affiliated hospital which provide important educational and medical services to the region and foster a greater understanding of American ideals, values and knowledge.

TITLE III—DEVELOPMENT ASSISTANCE

Section 301—Development assistance policy

Section 301 amends section 102 of the Foreign Assistance Act by adding policy language which further explains the importance of policy dialogue, the private sector, technology transfer and institution building as significant elements in achieving the basic human needs objectives of the Act. The Committee adopted similar language last year. The Committee intends that the addition of this policy language to section 102 of the FAA should serve to clarify AID's mission with respect to existing policy guidelines which are consistent with the overall mandate of the statutes to address basic human needs. Nothing in this section adds any new authorities to the Act, nor does its addition to the Act negate or substitute for the policy language which governs the foreign assistance program. Rather, the addition of this policy language simply brings together in one place various references to these components of the foreign assistance program that are already contained elsewhere in the Act.

The Committee notes that the importance of each of these elements for the effective provision of assistance authorized by the Act has been recognized by every AID Administrator in the past as fundamental if the equitable and self-sustainable economic growth we seek through these programs is to be achieved. The purpose of this new policy language thus is to restate these principles and to underscore the intent that in their implementation they must be consistent with the broader basic human needs mandate that governs AID's programs throughout the Act.

The Committee also notes its strong support for the emphasis placed in this section upon promotion of the private sector. This Committee supported authorization of the Private Sector Revolving Fund in FY 1984 and remains supportive of AID's goal of energizing the private sector as a means of development. The Committee will continue to monitor closely AID's implementation of this policy and expects AID to consult with the Committee on its progress.

The Committee has closely considered the plight of sub-Saharan Africa in this legislation and in the African Famine Relief and Recovery Act of 1985. This consideration has highlighted the need for the policy emphasis placed upon institution building and technology transfer, in Africa and throughout the world, as endorsed by the Committee in this section. A major part of the long-term solution to Africa's food problem is development of infrastructure capable of providing the new agricultural technologies appropriate to Africa. In view of the limited financial resources available, the Committee urges AID to concentrate its efforts by identifying a limited number of African institutions which are ready for further development and to devise a concentrated, long-term strategy to build the needed research and educational base in Africa. U.S. educational institutions—particularly under the existing Title XII mechanism—PVOs, cooperatives, and other U.S. intermediaries should be significant resources in this effort.

Section 302—Agriculture, rural development, and nutrition

Fiscal year:	*Millions*
1985 continuing resolution approriation	$755.6
1986 request	792.4
1986 recommendation	755.6

This section amends section 103(a)(2) of the Foreign Assistance Act to authorize appropriations for agriculture, rural development and nutrition. The Committee approved $755.6 million for FY 1986, the current level provided in the FY 1985 Continuing Resolution. This amount is $36.8 million below the Administration's request. The section also deletes current language imposing a $1 million ceiling on funding Section 316 Development Education activities ("Biden-Pell" grants) from this account. The Administration has testified that it plans to provide at least $2.4 million in FY 1986 for these activities. Agriculture continues to be by far the largest of the functional development assistance accounts in the U.S. bilateral assistance program, reflecting the high priority which AID and the Congress place on addressing the problems of insufficient food supplies and inadequate diets in most developing countries.

The Committee adopted an amendment offered by Senator Mathias expressing support of continued participation by the United States in funding the International Fund for Agricultural Development (IFAD). This action is consistent with the Committee's longstanding support for this institution. The provision indicates Committee support for possible reprogramming of existing resources in pursuing a strong U.S. role in establishing a possible special fund for Africa within IFAD.

Section 303—Population and health

	Millions
Population:	
Fiscal year:	
1985 continuing resolution appropriation	$286.8
1986 request	250.0
1986 recommendation	270.0
Health:	
Fiscal year:	
1985 continuing resolution appropriation	223.1
1986 request	[1] 146.4
1986 recommendation	186.4
Child survival fund:	
Fiscal year:	
1985 continuing resolution appropriation	25
1986 request	[1] 0
1986 recommendation	25

[1] The administration requested an earmark of $25 million for fiscal year 1986 for child survival activities within the health account.

Section 303 amends sections 104(g) (1) and (2) of the Foreign Assistance Act to authorize appropriations of $270,017,000 for population and $186,427,000 for health and activities.

These funds are authorized to support projects in maternal and child health care, family planning, research in contraception, demographic surveys, improved health care delivery systems, increased pure drinking water availability, control of communicable and infectious diseases, and other health-related efforts in the developing countries.

The Committee adopted an amendment, offered by Senators Mathias, Pell and Dodd, which added $20 million to the President's fiscal 1986 request for population assistance and $40 million to the request for health assistance.

The Administration's request for fiscal year 1986 for Section 104 proposed that $25 million of the $146 million requested for health activities be earmarked for purposes of the Child Survival Fund created by Congress in Public Law 98–473, the Continuing Resolution for fiscal year 1985. The Mathias-Pell-Dodd Amendment, in addition to authorizing levels for population and health activities, also authorizes, as a separate line item, $25 million for the Child Survival Fund.

In adopting this amendment, the Committee intends to fund activities and programs that are designed to alleviate the health problems afflicting children, a vulnerable group in developing societies. The establishment of this new fund by the Congress in fiscal year 1985 was an outgrowth of an international health effort, spearheaded by UNICEF, which aims to halve the mortality rate among infants and children in the developing countries by the end of this century. In approving this funding, the Committee intends that these funds should be used to complement, not substitute for the already planned activities of AID's section 104 health assistance portfolio. The Committee intends that, in addition to Government programs, this fund shall be used to finance activities of those private voluntary organizations (PVO's), and international organizations such as UNICEF, the Pan American Health Organization, and the World Health Organization (WHO) with an already established record in international health. The Committee directs that AID should continue to consult with both this Committee, and with the House Committee on Foreign Affairs in utilizing this funding for the activities described above.

In relation to population policy issues, the Committee considered several amendments offered by Senator Kassebaum and Senator Helms which directly relate to implementation of the population assistance policy enunciated by the United States at the Internationl Population Conference held in Mexico City in the summer of 1984.

Section 303(b) embodies an amendment offered by Senator Kassebaum and adopted by the Committee which provides that nongovernmental and multilateral organizations may not be subject to more restrictive requirements than those imposed on foreign governments for purposes of establishing eligibility for U.S. population assistance under Section 104(b) of the Foreign Assistance Act.

In July 1984, the Administration announced that nongovernmental organizations which perform or actively promote abortion would not be eligible for population assistance. The July 1984 policy, however, did not apply the same requirement to foreign governments. It allows them to remain eligible for population assistance so long as they segregate accounts for U.S. funds so that such funds cannot be used for abortions.

In section 303(c) the Committee adopted an amendment, introduced by the Chairman on behalf of Senator Helms, which adds a new restriction to section 104(f) of the Foreign Assistance Act. This provision prohibits the use of U.S. population assistance, directly or

indirectly, either in any country which permits, officially or in practice, infanticide or coerced abortion or by any organization which provides funds, directly or indirectly, with respect to such a country. Thus, a country renders itself ineligible for U.S. population assistance by permitting the proscribed activities and an organization renders itself ineligible for U.S. population assistance by providing funds to or in such a country.

In section 303(d), the Committee also adopted an amendment offered by Senator Kassebaum which specifically prohibits the use of U.S. funds for any population planning programs within the People's Republic of China (PRC). In addition, the amendment requires the President to instruct each U.S. representative to any international organization to which the United States contributes to oppose the extension of assistance by that organization for any population planning programs within the People's Republic of China.

Although the Kassebaum and Helms amendments differ significantly in terms of the scope of U.S. funding limitations, in adopting these amendments, the Committee intended to respond to widespread concern about reported instances of coerced abortion and infanticide within the PRC.

Section 304—Education and human resources development

Fiscal year:	*Millions*
1985 continuing resolution appropriation	$177.1
1986 request	183.5
1986 recommendation	177.1

This section amends section 105(a) of the Foreign Assistance Act to authorize appropriations of $177,100,000 for programs of education and human resources development. The Committee continues to endorse the key elements of AID's education and human resources program: increased support for improving basic schooling opportunities for the 6–14 age group; support for skills training for adolescents and adults; and support for the strengthening of training and research institutions.

Section 305—Energy, private voluntary organizations, and selected development activities

Fiscal year:	*Millions*
1985 continuing resolution appropriation	$200.0
1986 request	223.1
1986 recommendation	200.0

This section amends section 106(e)(1) of the Foreign Assistance Act to authorize appropriations of $200,000,000 for programs for energy, private voluntary organizations and other selected development activities, including programs of the Science Advisor.

This functional account funds a variety of activities including: (1) expanding the role and growth of the private sector; (2) developing employment and income earning opportunities for low-income people; (3) supporting the activities of Private Voluntary Organizations (PVOs) and Cooperatives; (4) improving the capability of cities and municipalities in the developing world to provide for the urban poor; (5) promoting human rights; (6) providing assistance in the transfer, adaptation, and development of technologies appropriate

for LDCs; and (7) providing research support and technical assistance in energy and natural resources planning and conservation.

Overall, this account is uniquely suited for addressing cross-sectoral development problems and for mobilizing additional resources from non-U.S. Government sources. Activities funded from this account also play an important role in the successful implementation of AID's principal emphases: promoting the private sector's role in development, policy dialogue, institution building, and technology transfer.

In approving this level of funding, the Committee notes that the programs funded in this account should be fully consistent with the criteria set forth in sections 101 and 102 of the Foreign Assistance Act.

Section 306—Private sector revolving fund

This section amends section 108(b) to authorize up to $16 million drawn from the Development Assistance functional accounts to be deposited in the Private Sector Revolving Fund. This funding is to be used to support private sector activities consistent with U.S. development assistance policies set forth in Section 102 of the Foreign Assistance Act. The Committee notes that the $16 million authorized for this fund reflects the level of activity anticipated by AID under this authority in fiscal year 1985. Congress made available up to $20 million for deposit in the Private Sector Revolving Fund in fiscal year 1984—the year the fund was created—and again in fiscal year 1985. Although authorization of $16 million for this purpose is consistent with the Committee's overall approach to the Administration request for fiscal year 1986, the Committee notes its disappointment that AID has not been able to utilize this mechanism for private sector development more effectively by funding it to the Congressionally-authorized level.

Section 307—Sahel development program

Fiscal year:	*Millions*
1985 continuing resolution appropriation	$97.5
1986 request	80.5
1986 recommendation	80.5

This section amends section 121(c) of the Foreign Assistance Act to authorize appropriation of $80.5 million for the Sahel Development Program. The Administration request for fiscal year 1986 includes the Sahel Development Program for the first time as one component of the functional Development Assistance programs rather than as a line item separate from the functional accounts. The Committee notes its support for this program, which continues to provide assistance for irrigation, crop improvements, livestock management, and management training for the Sahelian nations of Burkina Faso, Cape Verde, Chad, the Gambia, Mali, Mauritania, Niger, and Senegal.

In terms of natural resources, the Sahel countries represent one of the most poorly endowed regions in the world. Recently, their economies have been further weakened by external debt and balance of devastating drought of the 1970's. The Committee reaffirms the U.S. humanitarian commitment to the Sahel countries and notes that experience gained to date indicates that serious con-

straints to development in the Sahel will not be easily overcome. They require a long-term approach and increased emphasis on agricultural research, human resource development, institution-building, policy reform, and improvement of the region's data base and planning capabilities.

Section 308—Private and voluntary organizations and cooperatives in overseas development

This section amends section 123 of the Foreign Assistance Act to adopt a technical change proposed by the Administration as well as an amendment proposed by Senator Pell.

The Administration request adopted by the Committee amends section 123(e) which currently allows ongoing programs of private voluntary organizations to continue when deemed useful in countries subject to prohibitions on assistance. The amendment clarifies the precise date on which a prohibition becomes applicable for purposes of section 123(e). Section 123(e) is then further amended by requiring that the present report to Congress setting forth the reasons for continuation of the PVO program shall be submitted within thirty days of the decision to continue assistance rather than within thirty days of the date the prohibition becomes effective as is presently required.

The Committee also adopted an amendment offered by Senator Pell and cosponsored by Senator Lugar which amends section 123 of the Foreign Assistance Act and directs the President to provide not less than 15 percent of the AID program budget through private voluntary organizations (PVO's). The Pell amendment, which is identical to a provision adopted by the Committee for the last several years, replaces a provision of current law which requires that a minimum of 12 percent of such budgets be channelled through PVO's. For the purpose of achieving the 15 percent total, AID may include those Economic Support Funds (ESF) which are used directly to fund PVO activities.

The Committee continues to believe strongly that the PVO's play an important role in our foreign assistance program. The PVO's have augmented the resources otherwise made available for development efforts by raising $4 for every $1 in grant funds provided by AID. PVO's are also a cost effective way of channelling foreign aid monies. Some 156 PVO's are currently registered with AID and qualify for various grant programs with that agency. Organizations with national and international reputations such as CARE, Catholic Relief Services, Church World Service, the Rhode Island-based Foster Parents Plan, Save the Children, and the Rural Electrification Coop have all contributed mightily to putting a human face on U.S. foreign aid throughout the world. In readopting the Pell amendment the Committee reaffirms its strong support for the principle of establishing a minimum amount of funding for this partnership in our bilateral aid program; The Committee compliments AID on the high level of funding provided to PVOs this year, particularly in response to the crisis in Africa, and expresses its hope that AID will exceed the minimum percentage adopted in this section in fiscal year 1986.

Section 309—Promotion of democratic cooperatives

This amendment supports the role of U.S.-style democratic cooperatives in the developing world as a way of encouraging experience in democratic decision-making. The amendment, identical to one passed by the Committee last year and reintroduced this year by Senator Boschwitz, allows the provision of U.S. development assistance through rural and urban cooperatives which offer large numbers of low and middle income people in developing countries and opportunity to participate directly in democratic decision-making. The cooperatives thus can be a vehicle for developing experience in grassroots democracy as well as for developing local economies.

Section 310—Development and illicit narcotics production

In programing Development Assistance (DA) funds in countries where there is illicit narcotics cultivation, AID is presently directed under section 126 to give priority to developing programs to help reduce drug cultivation by stimulating broader development opportunities.

In section 309 the Committee adopts the Administration request that section 126 be amended to state expressly that Economic Support Funds (ESF) are also to be used for this purpose. The amendment also includes emphasis on the use of available funds for activities aimed at increasing public awareness in narcotics source and transit countries of the negative effects on those countries of production and trafficking in illicit narcotics.

Section 311—Housing guaranty program

The Administration is attempting to curtail Federal guarantee programs government-wide on the premise that minimal intervention by the government in the free operation of capital markets will contribute to a more efficient allocation of resources by market forces. The Committee approved the Administration request to extend the authorization of the Housing Guaranty Program through September 30, 1987, and to increase the overall loan guaranty authority by only $45 million in order to accommodate the two loans anticipated during the phase-out of the program by fiscal year 1987. The anticipated loans are pursuant to treaty commitments in Panama and Portugal and require a further technical amendment adopted in this section to delete the present country average of $15 million.

The Committee adopted this provision after the Administration witness assured the Committee that AID would continue to address the housing needs of the developing world, but would use available resources other than the guaranty mechanism.

Section 312—Trade credit insurance program

Section 312, a provision offered by Senator Zorinsky, amends section 224 of the FAA to permit any unused guaranty authority which was authorized for fiscal year 1985 to be used through fiscal year 1986 but does not provide any additional guaranty authority. Given the fact that an operating agreement was not reached with ExIm until January and the first guaranties were not approved by

the ExIm board until March 21, the Committee does not feel that it is appropriate to approve an additional $200 million of guaranties at this time.

Section 313—Disadvantaged children in Asia

This section amends section 241(b) of the Foreign Assistance Act to authorize an increase from $2 million to $3 million in development assistance funds to help meet the needs of disadvantaged children in Asian countries where there has been or continues to be a heavy presence of U.S. military personnel.

TITLE IV—CENTRAL AMERICA DEMOCRACY, PEACE AND DEVELOPMENT INITIATIVE

Section 401—Central America democracy and development initiative

Consonant with the recommendations of the National Bipartisan Commission on Central America this section amends part I of the FAA by adding a new Chapter 6 entitled "Central America Democracy, Peace, and Development Initiative." The new chapter contains six sections: Section 461, a policy statement; section 462, detailing the conditions imposed on the furnishing of assistance; section 463, a statement of support for the peace initiatives of the Contadora Group; section 464, authorizing U.S. participation in an organization to promote cooperation in economic development among the countries of Central America and the United States; section 465, approving multi-year authorization of non-military assistance to the Central American countries for the fiscal years 1987 through 1989; and section 466, defining the term "Central American countries" for purposes of this legislation.

Section 461 contains the findings of the Congress that the building of democracy, the restoration of peace, and the improvement of living conditions in Central America are of fundamental importance to the interests of the United States and the community of American nations as a whole. The section also highlights the importance of dealing comprehensively with the inter-related complex of social, humanitarian, economic, political, diplomatic, and security issues that currently confront the region. The Congress further recognizes that while the achievement of democracy, human rights, peace and equitable economic growth depends primarily on the peoples and governments of Central America, the United States can make a significant contribution through an enlightened policy which includes long-term and significant commitment to both economic and military assistance. Finally, the Congress defines the purposes of this chapter as establishing the statutory framework to authorize the funding necessary to promote the goals and policy objectives previously described.

In its deliberations, the Committee considered a package of amendments to the bill introduced by Senator Dodd. Among the provisions of this package on central America was one which would have replaced the comprehensive policy statement of section 461 with language making the efforts of the Contadora process the centerpiece of U.S. policy toward Central America. It was generally believed, however, that Section 463 already registered strong support of Contadora and that it would be better to use the more compren-

hensive policy direction described in Section 461 of the Administration's proposal.

Section 462 states that the President shall ensure that the assistance furnished is provided in such a way as to foster demonstrated progress toward, and commitment to, the objectives set forth in section 461. The President is thus authorized to set such conditions on this assistance, in consultation with the Congress, as he may find necessary. Senator Dodd's amendments would have established conditions and certification requirements on the provision of assistance to El Salvador and Guatemala. These suggestions were considered and debated by the Committee and rejected as unnecessary at the present time.

Section 463 affirms that the United States appreciates and should provide assistance and support to Contadora efforts aimed at peaceful resolution of Central America's problems.

Section 464 states that, in support of the recommendations of the National Bipartisan Commission on Central America, the United States favors a dialogue among Central American countries on political, economic and social cooperation as a means toward furthering the purposes of the FAA. In addition it registers the sense of the Congress as urging the President to enter into negotiations with representatives of the Central American countries toward etablishment of an organization for economic cooperation based upon the principles contained in this legislation. It is not the intention of the Congress to establish a large, new bureaucratic entity in competition with existing agencies. And the organization should be composed of private sector and labor represntatives of the participating countries as well as the governments themselves. These conditions being fulfilled, the Congress authorizes the President to participate in such an organization with the Administrator of the Agency for International Development as the U.S. Representative. Senator Mathias sponsored a successful amendment to this section, designating this prospective institution as the "Central American Development Organizations" (CADO).

Section 465 contains a multi-year authorization for the furnishing of non-military aid for the Central American countries for the fiscal years 1987 through 1989. This provision of the legislation was debated by the Committee and an amendment to rescind it on the part of Senator Kassebaum was not successful.

Section 466 provides that for purposes of this legislation, the term "Central American countries" refers to Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and the regional programs that benefit those countries.

In response to concerns raised by the National Bi-Partisan Commission on Central America, the Committee encourages USIA to provide funding out of available funds for undergraduate and graduate scholarships for National University Central American students studying in Costa Rica. The Committee also expects USAID to provide prototype funding out of available funds for the National University Costa Rican program as an example to other U.S. Universities of the value and cost effectiveness of providing U.S. degees in educating Central American students on their own soil.

Section 402—Administration of justice

In accordance with the recommendations of the Kissinger Commission, the United States is authorized to support training in legal processes and law enforcement under carefully defined conditions. Applicable to the countries of Latin America and the Caribbean, this would include assistance to judges, prosecutors, and criminal investigation and enforcement agencies, notwithstanding restrictions on police training contained in section 660 of the Foreign Assistance Act. This latter provision was the subject of an amendment by Senator Dodd—reaffirming section 660 and prohibiting extension of assistance to police agencies—which was rejected by the Committee.

In authorizing programs to enhance "investigative and enforcement" capabilities, the Committee recognizes that many criminal justice systems inthe region suffer from shortcomings in modern, professional methods for collecting and presenting evidence, as well as a lack of understanding among investigators, prosecutors and judges (who have important supervisory responsibilities under civil law systems) in working together to achieve the timely and just disposition of criminal cases. In adopting this waiver it is the Committee's intention to permit only those projects and activities that are necessary to and integrated approach to these problems. In no way does the Committee intend that this authority be used to reinstitute a general program of police assistance, now prohibited by section 660 of the Foreign Assistance Act.

The Committee envisages that investigative and enforcement capabilities might be enhanced through training programs in such areas as:

—crime scene investigation and the preservation and analysis of physical evidence;
—criminal identification techniques such as photography analysis of physical evidence;
—legal element of proof and legal rights of the accused;
—witness interviews, report writing and records management;
—community relations;
—the use of force and limitations thereon;
—uniform compilation of criminal statistics; and,
—rehabilitation of offenders.

Within this general approach it is impossible to anticipate every specific project that might be undertaken. The Committee has assured, therefore, that this program will not lead to generalized police training by including specific requirements for Congressional review. No project or activity otherwise subject to section 660 may be initiated under this authority unless and until it has first been presented to the Committee in the same way as intended reprogrammings. It is the Committee's expectation that the executive will abide by Committee objections to any proposed new projects or activities.

Section 403—Land reform

This section amends section 620(g) of the FAA to authorize the President to make available to governments assistance with which to compensate their nationals in accordance with land reform pro-

grams—if the President determines that such programs will further the interests of the United States.

Section 404—Use of employee stock ownership plans in development efforts

In this section the Congress finds that employee stock ownership plans in such areas as industry, farming and banking can make a valuable contribution to equitable development along free enterprise lines—thus furthering basic U.S. objectives in Central America and the Caribbean. The President is, therefore, urged to convene a Presidential Task Force to examine the expanded use of ESOPs in development policy and to make a report with specific recommendations for action, before December 31, 1985. This Task Force shall include ample representation from business, labor, and experts on programs of this kind and shall be financed by private contributions.

Section 405—Prohibitions relating to military or paramilitary operations in Nicaragua

Introduced as an amendment by Senator Pell, this section prohibits the use of any funds under this Act, The Foreign Assistance Act, or the Arms Export Control Act to provide assistance of any kind, either directly or indirectly, to any person or group engaged in insurgency against the Government of Nicaragua. This section also prohibits the U.S. Government from entering into any agreement or understanding with any recipient of U.S. assistance or purchaser of U.S. military equipment to provide such assistance.

TITLE V—OTHER ASSISTANCE PROGRAMS

Section 501—American Schools and Hospitals Abroad (ASHA)

Fiscal year:	*Millions*
1985 continuing resolution authorization	$30
1986 request	10
1986 recommendation	30

Section 501 amends section 214(c) of the Foreign Assistance Act to authorize apropriations of $30 million for the American Schools and Hospitals Abroad program (ASHA). The Committee adopted a Mathias-Pell-Dodd amendment restoring the proposed reduction of $20 million contained in the President's fiscal year 1986 budget request. In approving this level of funding for ASHA the Committee once again urges the Administration to propose realistic funding levels for the ASHA program.

The Committee notes that the ASHA program office currently receives requests every year far in excess of even the higher resources provided each year by a supportive Congress. Most of these requests come from worthy institutions which qualify for ASHA assistance but go unfunded because of inadequate resources. In light of these factors, the Committee believes that its action in providing funding above the Administration request to maintain the program at the current level is fully justified.

Section 502—International organizations and programs

Fiscal year:	*Millions*
1985 continuing resolution appropriation	[1] $268.7
1986 request	196.2
1986 recommendation	267.7

[1] Does not include $90 million provided to the International Fund for Agricultural Development (IFAD) in FY 1985.

Section 502 amends section 302(a)(1) of the Foreign Assistance Act to authorize appropriations of $267.7 million for voluntary U.S. contributions to selected international organizations and programs. In approving this level of funding, the Committee adopted an amendment by Senators Mathias, Dodd and Pell adding $71.5 million to the Administration's request for $196.2 million. This amendment raised the account to just below the fiscal year 1985 level.

The Committee adopted an amendment by Senator Mathias earmarking funds for the U.N. Development Program (UNDP) at the fiscal year 1985 level of $165 million, the U.N. Children's Fund (UNICEF) at the fiscal year level of $53.5 million. The Committee also adopted an amendment offered by Senator Pell earmarking the U.N. Environmental Program (UNEP) at the fiscal year 1985 level of $10 million. In addition, this amendment also maintains the current UNEP earmark of $10 million for fiscal year 1985.

In adopting the higher figures contained in this authorization, the Committee reaffirms its deep commitment to the specialized agencies providing technical assistance to the developing world. The Committee notes that these organizations which include the OAS, and the IAEA, as well as UNICEF and UNDP, serve U.S. interests overseas.

The Committee supports maintenance of our contributions to UNICEF's effort to reduce child and infant mortality in half be the year 2000 and to UNEP's Global Environmental Monitoring System (GEMS) which is designed to measure pollution of the world's oceans and the atmosphere. Most of these organizations were begun with strong United States backing, and the Committee believes they continue to warrant U.S. confidence and financial support.

In a departure from the practice of the last several years, however, the Committee stopped short of earmarking specific amounts for every organization funded under this account.

The Committee also adopted a new provision introduced by Senator Pressler which updates the current prohibition on aid to the PLO, SWAPO and Cuba and adds Iran, Syria and Libya.

Section 503—Narcotics reporting requirement

Section 503 adopts the Administration request to amend section 481(a) in order to delete the two semi-annual reports on international narcotics control required under current law and to require instead that the expenditures and program information in those reports be incorporated in the final quarterly report still required under existing law. In addition, the section initiates a new mid-year report to be submitted on August 1.

Section 504—International narcotics control

Fiscal year:	*Millions*
1985 continuing resolution authorization	$50.2
1986 request	57.5
1986 recommendation	50.2

Section 504 amends section 482(a)(1) of the Foreign Assistance Act of 1961 which authorizes funds for International Narcotics Control.

In authorizing $50.2 million the Committee maintains the FY 1985 level of funding.

Section 505—International disaster assistance

Fiscal year:	*Millions*
1985 continuing resolution appropriation	$25
1986 request	25
1986 recommendation	25

This action amends section 492(a) of the Foreign Assistance Act to authorize appropriations of $25 million for international disaster assistance for fiscal year 1986. This provision maintains the funding authorization for this purpose at the same level as in fiscal year 1985. The Committee commends AID's Office of Foreign Disaster Assistance for its efforts in behalf of famine victims in drought-stricken Africa. The Committee expects that the $137.5 million in additional disaster assistance provided in the African famine relief supplemental legislation for FY 1985 will be disbursed on an expedited basis.

Section 506—Anti-terrorism assistance program

Fiscal year:	*Millions*
1985 continuing resolution appropriation	$5.0
1986 request	5.0
1986 recommendation	5.0

Section 506(b) amends section 511 of the Foreign Assistance Act by extending the authorization for the anti-terrorism program through fiscal year 1987. The Administration sought permanent authorization for the program. The Administration also sought to repeal section 573(d)(4), FAA, which prohibits use of Anti-Terrorism program funds to procure equipment and commodities on the U.S. Munitions List for the program. The Committee rejected this request.

Section 507—Trade and development program

Fiscal year:	*Millions*
1985 continuing resolution appropriation	$21.0
1986 request	20.0
1986 recommendation	20.0

This section amends section 661(b) of the Foreign Assistance Act to authorize appropriations for the Trade and Development Program in fiscal year 1986. Consistent with its overall approach to the legislation, the Committee agreed to the Administration request by approving $20.0 million in new authority, a reduction from the FY 1985 level. This action in no way reflects lack of support for this extremely effective program.

The Committee believes that support of the Trade and Development Program is warranted by its proven track record in increasing the opportunity of U.S. business participation in overseas economic development activities. By providing assistance to U.S. firms for the initial feasibility work on such activities, TDP has enabled numerous U.S. firms to compete with foreign companies and to obtain high-value follow-on contracts. It is estimated that every dollar authorized and appropriated for TDP returns $50 in business to U.S. enterprises. This healthy return on our investment translates into increased profits and jobs. An important factor in the success of TDP has been its relative freedom the bureaucratic constraints found in other U.S. Government programs, demonstrated by the relatively low percentage of its budget attributed to administrative support. The Committee believes that this kind of freedom is a positive element that should continue to be encouraged.

Section 508—Operating expenses

Fiscal year:	*Millions*
1985 continuing resolution appropriation	$391.5
1986 request	387.0
1986 recommendation	387.0

This section amends section 667(a) of the Foreign Assistance Act, which authorizes funds for operating expenses of the Agency for International Development. The Committee agreed to the Administration's request by approving $387.0 million in new authorization, a reduction from the fiscal year 1985 level.

AID's operating expenses account provides funds for the administrative support for development assistance, the Economic Support Fund, and for most of the salaries and other support costs of direct hire personnel both at the Washington headquarters and at overseas missions. Most of the increase is required to cover the increased cost of overseas operations, including security enhancement.

The Committee once again notes AID's efforts to improve management and hold down costs in this time of severe budget constraints. AID has assured the Committee that reductions will be made in virtually every category of expense and increases will be made only in cases of fixed, mandatory or statutory expenses. The Committee strongly supports AID's management effort in these efforts.

In this regard, the Committee will closely follow AID's increased use of delegations of authorities to field missions to allow review and approval of a wider range of activities. The Committee hopes that such delegations will have a very positive impact not only in containing costs but also in increasing the efficiency of the entire AID decision process.

TITLE VI—PEACE CORPS

Section 601—Authorization of appropriations

Fiscal year:	*Millions*
1985 continuing resolution authorization	$128.6
1986 request	124.4
1987 recommendation	128.6

This section amends 3(b) of the Peace Corps Act to authorize funds for activities under the Act for fiscal year 1986. Senator Dodd offered an amendment which the Committee approved to provide $128.6 million in new authorization in order to continue funding at the fiscal year 1985 level.

The Committee did not approve an Administration request to authorize the Peace Corps to sell its publications to the public at cost and deposit the proceeds of such sales to the Peace Corps appropriation. Although the Committee is strongly supportive of Peace Corps efforts to disseminate its publications more broadly, the Committee thinks such a mechanism is a bad precedent to authorize at a time when the Congress is trying to get firmer controls on all aspects of government spending.

TITLE VII—AFRICAN DEVELOPMENT FOUNDATION

Section 701—Authorization of appropriations

Fiscal year:	*Millions*
1985 continuing resolution authorization	$1.0
1986 request	1.0
1987 recommendation	1.0

Section 702—Extension of authorities

This title authorizes $1.0 million for Africa Development Foundation for fiscal year 1986, the full account requested by the Administration. In addition, the title extends the authorities of the Foundation until September 30, 1990.

The Foundation will support self-help activities at the local level which are designed to enlarge opportunities for community development. Its purpose and structure have been likened to the Inter-American Foundation. To the maximum extent possible, the Foundation's activities are to be coordinated with those of the U.S. Government and private, regional, and international organizations.

TITLE VIII—INTER-AMERICAN FOUNDATION

Section 801—Authorization of appropriations

Fiscal year:	*Millions*
1985 continuing resolution authorization	$12.0
1986 request	8.7
1987 recommendation	12.0

Following up on a proposal made by Senators Zorinsky and Pressler, the Committee adopted an amendment offered by Senators Mathias, Pell and Dodd to increase funding for the Inter-American Foundation from the Administration request up to the FY 1985 level of $12 million.

The Inter-American Foundation was created by Congress in 1969 to support small-scale, self-help development efforts in Latin America and the Caribbean.

TITLE IX—GENERAL PROVISIONS

Section 901—Procurement of construction and engineering services

This section, identical to an amendment the Committee approved last year, modifies section 604(g) of the Foreign Assistance Act of 1961 to enable construction firms from aid-recipient countries to bid on certain AID construction and engineering contracts. The amendment, by Senators Boschwitz, Biden and Cranston, could po-

tentially assist the Israeli effort to improve its economic situation. Lebanon and Turkey could also benefit from this provision.

The current form of section 604(g) was directed at advanced developing countries no longer receiving assistance whose export promotion policies often put their firms at a competitive advantage with American firms. When section 604(g) was passed in 1980, it was felt that some countries were taking a disproportionate share of business away from U.S. or developing-country firms.

The amendment approved by the Committee this year makes it possible for countries receiving direct U.S. economic assistance to compete for AID-financed architectural, engineering and construction contracts in the developing world. In passing the amendment, Committee members noted that the amendment is consistent with efforts to help strengthen the Israeli economy through expanded trade and commerce.

Section 902—Completion of plans and cost estimates

Section 611(a) presently requires that adequate plans and cost estimates be completed prior to the obligation of funds in excess of $100,000. This section amends section 611(c) to change the threshold for this requirement from $100,000 to $500,000.

Subsection (b) amends section 611(b) of the act, which currently requires that cost/benefit analyses be conducted for water projects in accordance with the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973. The amendment refers, instead, to underlying statute, the Water Resources Planning Act, and makes applicable the recently approved Economic and Environmental Principles and Guidelines for Water and Related and Resources Implementation Studies to AID activities.

The Committee approved an identical provision last year.

Section 903—Prohibition against assistance

This section amends section 620(f) of the Foreign Assistance Act to allow the President to remove prohibitions against assistance to specified countries if he determines such action is important to the national interest of the United States.

Section 904—Nuclear nonproliferation conditions for assistance for Pakistan

This section, which was offered by Senator Mathias and co-sponsored by Senators Pressler and Boschwitz, conditions future U.S. assistance and military sales to Pakistan on an annual Presidential certification that (1) Pakistan does not possess a nuclear explosive device and (2) the proposed U.S. assistance will reduce significantly the risk that Pakistan will possess a nuclear explosive device. The amendment is the same as that adopted by the Committee last year.

The Committee believes that continued U.S. assistance to the people of Pakistan is currently in the national security interests of both countries. However, the Committee is deeply concerned by the continued development of military capabilities in Pakistan's unsafeguarded nuclear program which jeopardizes future U.S. economic and military assistance.

Section 905—Streamlining of reprogramming requirements

In this section the Committee adopted an Administration proposal to streamline and standardize various overlapping reporting and reprogramming requirements. The changes, however, do not materially change the type of information provided to the Congress without prior Congressional notification.

Section 905 makes the Foreign Military Sales program subject to the same reprogramming notification process as presently used for Development Assistance, the Economic Support Fund and the Military Assistance Program and eliminates some reporting requirements made redundant by this standardization. Additionally, the section provides that AID need not notify Congress unless a proposed reprogramming exceeds by 10 percent the amount already justified to Congress for an activity in a fiscal year. The section also establishes a threshold of $25,000 on reprogramming notices for International Military Education and Training (IMET) and International Narcotics Control funding. A similar threshold for IMET was approved by the Committee last year.

Section 906—Training assistance

This setion amends section 638 of the Foreign Assistance Act to permit the provision of military and economic training assistance to Brazil and Argentina, provided each country retains democratically elected governments. This amendment would continue the applicability of human rights and police training provisions currently in the law.

Section 907—Suspension of assistance to countries violating U.S. export laws in order to manufacture a nuclear explosive device

Section 670(a), as amended in 1981, presently denies funds appropriated under the Foreign Assistance Act or the Arms export Control Act to countries which deliver or receive nuclear reprocessing equipment, materials or technology.

The Committee adopted an amendment offered by Senator Pressler to expand the coverage of section 670(a) to include termination of assistance because a country exports illegally from the United States or attempts to export any material, equipment or technology to manufacture a nuclear explosive device.

The requirement for ending assistance can be waived by a Presidential determination that the cutting off of such assistance would be seriously prejudicial to the achievement of U.S. nonproliferation objectives or otherwise jeopardize the common defense and security of the United States.

Section 908—Illegal emigration from Haiti

This section reauthorizes the use of funds under the Foreign Assistance Act for programs to assist Haiti in halting significant illegal emigration from Haiti to the United States.

Section 909—Participant training grants

This section amends section 1441(c)(6) of the International Revenue Code of 1954 to exempt from withholding requirements the amounts received as scholarships or fellowship grants or per diem

of non-resident aliens engaged in training programs in the United States financed under the Foreign Assistance Act. The Committee notes that this amendment does not affect the tax liability of non-resident aliens but only exempts the agencies administering the training programs from the requirement to withhold taxes.

Section 910—Assistance for Afghanistan

This section allows use of Economic Support Fund and Development Assistance funding to provide food, medicine or other humanitarian assistance to the Afghan people. The Committee notes that Congress and the Administration both continue to be seriously concerned about the plight of the Afghan people suffering from the Soviet invasion and the ravages of war. The Committee action in adopting this provision is consistent with earlier Congressional action in providing $2 million for medical assistance for Afghans in the fiscal year 1984 Supplemental Appropriation of August, 1984. Section 910 allows use of funds to support a program being developed by an interagency task force to address near-term Afghan humanitarian needs, including food and medical assistance as well as possible limited humanitarian training. The Committee notes that some degree of flexibility should be available in the application of standard audit procedures and requirements in view of the extraordinary nature of the program.

Section 911—Repeal of provisions; technical amendments

Section 911 repeals the following provisions of the Foreign Assistance Act and the Arms Export Control Act:

Section 106(b)(1), FAA, which provided up to $7,000,000 for fiscal year 1981 funds for use in facilitating geological and geophysical survey work to locate and explore for potential oil, natural gas and coal reserves in non-OPEC countries.

Section 110, FAA, which provided a thirty-six month restriction in grant assistance for capital projects.

Section 306, FAA, which required certain information to be included in the semi-annual report to the Congress. The present requirements for annual reports are retained.

Under chapter 10 of Part I; section 496, FAA, which authorized funding for Portugese colonies for fiscal years 1975 and 1976 and section 497, which authorized balance of payments support for Portugal for fiscal year 1978.

Section 911 also makes the following technical amendments:

Section 636(a)(14), FAA, makes a technical change by updating reference from the "Foreign Service Act of 1946" to the "Foreign Service Act of 1980" under the Arms Export Control Act.

Section 47(6) of the Arms Export Control Act conforms language to recent changes in the International Traffic in Arms Regulations by substituting the term "significant military equipment", for the term, "significant combat equipment."

Section 912—Prohibition on negotiations with the Palestine Liberation Organization

This amendment is intended to prohibit direct or indirect U.S. negotiations with the Palestine Liberation Organization (PLO)

until it recognizes Israel's right to exist, accepts United Nations Security Council Resolution 242 and 338, and renounces the use of terrorism.

The amendment, which was adopted by the Committee last year and was reintroduced this year by Senator Boschwitz and cosponsored by Senators Biden and Cranston, reaffirms the 1975 side letter to the Second Sinai disengagement agreement in which the United States reiterated its policy that it "will not recognize or negotiate with the PLO as long as the PLO does not recognize Israel's right to exist and does not accept Security Council Resolution 242 and 338." In reaffirming that policy, the amendment also declared that no U.S. official or agent or other individual acting on behalf of the U.S. Government shall negotiate with the PLO, except in emergency or humanitarian situations, unless the PLO recognizes Israel's right to exist, accepts Security Council Resolutions 242 and 338, and renounces the use of terrorism. The provision referring to terrorism is consistent with a March 8, 1984 letter sent by National Security Adviser McFarlane to Senator Boschwitz which said ". . . there has been no change in the U.S. commitment not to negotiate with the PLO unless that organization formally recognizes Israel's right to exist and disavows terrorism."

The Committee notes that there is a distinction between discussions and negotiations, and the amendment allows for negotiations in emergency or humanitarian situations, such as arranging safe passage for American diplomats or citizens.

The Committee intends, however, to prohibit the type of indirect back-door negotiations using an intermediary such as those which took place in 1981 and 1982 and which involve the security of Israel, the sovereignty of Israeli territory, the future of Israeli-occupied territory, and peace in the context of the Arab-Israeli dispute. It is the Committee's view that such negotiations violate long-standing American policy. They also raise the danger of confused signals or false expectations.

Section 913—Long-term agricultural commodity agreements with food deficit countries

This section was introduced by Senator Pressler and calls for exploration of possible long-term agricultural commodity export agreements. It requests a report from the President on the result of efforts to achieve such agreements by June 1, 1986.

In recent years foreign nations exporting agricultural commodities increasingly have used long-term trade agreements to market their products. The long-term agreement assures the exporting nation of a stable market for its products and assures the importing nations of a reliable supply of food. To date the United States has entered into only three long-term grain agreements—with the Soviet Union, China, and Mexico. A relatively small percentage of U.S. agricultural exports is marketed under these agreements.

As other agricultural exporting nations conclude long-term agreements and the world market for farm products becomes more competitive, the United States must make greater use of long-term trade agreements to protect and expand its share of world agricultural trade.

Section 914—Effective date

This section states that unless otherwise specified, provisions of this act take effect on October 1, 1985.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, April 9, 1985.

Hon. RICHARD G. LUGAR,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for the International Security and Development Cooperation Act of 1985, as ordered reported by the Senate Committee on Foreign Relations on March 27, 1985.

Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate.

With best wishes,

Sincerely,

RUDOLPH G. PENNER.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: Unassigned.

2. Bill title: International Security and Development Cooperation Act of 1985.

3. Bill status: As ordered reported by the Senate Committee on Foreign Relations on March 27, 1985.

4. Bill purpose: The bill authorizes the appropriation of funds for security and development assistance programs, including the Peace Corps, for fiscal 1986, and authorizes $1.2 billion per year for fiscal year 1987 through 1989 for nonmilitary assistance for Central American countries.

5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1986	1987	1988	1989	1990
Authorization amount	12,825	1,200	1,200	1,200	.....
Estimated outlays	5,695	4,354	2,290	1,791	878
Estimated direct loans	(6,192)	.....	.....	.....	.....
Estimated principal repayments	.....	.....	.....	−66	−87
Estimated interest repayments	−5	−57	−130	−182	−204
Net estimated outlays	5,690	4,296	2,160	1,544	586
Loan guarantees authorized	(45)	.....	.....	.....	.....

Costs for this bill fall within budget function 150 except for interest repayments which fall in budget function 908.

Basis for estimate: The estimate assumes enactment of this legislation and subsequent appropriation of the authorized amounts by September 30, 1985. Outlays for programs authorized for fiscal year 1986 were estimated using historical outlay rates for the programs. Outlays for the $1.2 billion per year for fiscal years 1987 through 1989 authorized by Title IV, Central American Democracy, Peace,

and Development Initiative were estimated using a weighted average of nonmilitary assistance programs.

The estimate of direct loans is the sum of loan limits contained in the bill plus an estimate of loans not subject to limit in the economic support fund and development assistance programs. Estimates of principal and interest repayments were based on terms proposed by the President as modified by the bill. Interest rates for market rate loans under foreign military sales credits were based on CBO economic assumptions.

6. Estimated cost to State and local governments: None.

7. Estimate comparison: None.

8. Previous cost estimate: None.

9. Estimate prepared by: Joseph C. Whitehill.

10. Estimate approved by: C.J. Nuckols for James L. Blum, Assistant Director for Budget Analysis.

Regulatory Impact Statement

In accordance with Rule XXIX of the Standing Rules of the Senate, the Committee has evaluated the regulatory impact of this bill and finds that its enactment would have no regulatory impact. This bill authorizes appropriations for security and development assistance, for the Peace Corps, and for related agencies and programs. The bill modifies provisions of the Foreign Assistance Act of 1961 and the Arms Export Control Act.

Changes in Existing Law

In compliance with paragraph 12 of Rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

The Arms Export Control Act

* * * * * * *

Chapter 2—FOREIGN MILITARY SALES AUTHORIZATIONS

Sec. 21. Sales From Stocks.—(a)*(1)* The President may sell defense articles and defense services from the stocks of the Department of Defense to any eligible country or international organization if such country or international organization agrees to pay in United States dollars—

[(1)**]** *(A)* in the case of a defense article not intended to be replaced at the time such agreement is entered into, not less than the actual value thereof;

[(2)**]** *(B)* in the case of a defense article intended to be replaced at the time such agreement is entered into, the estimated cost of replacement of such article, including the contract or production costs less any depreciation in the value of such article; or

[(3)**]** *(C)* in the case of the sale of a defense service, the full cost to the United States Government of furnishing such service, except that in the case of training, only those additional

costs that are incurred by the United States Government in furnishing such training.

(2) For purposes of clause (A) of paragraph (1), the actual value of a naval vessel of 3,000 tons or less and 20 years or more of age shall be considered to be not less than the greater of the scrap value or fair value (including conversion costs) of such vessel, as determined by the Secretary of Defense.

* * * * * * *

(e)(1) After September 30, 1976, letters of offer for the sale of defense articles or for the sale of defense services that are issued pursuant to this section or pursuant to section 22 of this Act shall include appropriate charges for—

(A) administrative services, calculated on an average percentage basis to recover the full estimated costs *(excluding a pro rata share of fixed base operation costs)* of administration of sales made under this Act to all purchasers of such articles and services;

* * * * * * *

(h)*(1)* The President is authorized to provide (without charge) quality assurance, inspection, *contract administration services,* and contract audit defense services under this section—

[(1)**]***(A)* in connection with the placement or administration of any contract or subcontract for defense articles, defense services, or design and construction services entered into after the date of enactment of this subsection by, or under this Act on behalf of, a foreign government which is a member of the North Atlantic Treaty Organization, if such government provides such services in accordance with an agreement on a reciprocal basis, without charge, to the United States Government; or

[(2)**]***(B)* in connection with the placement or administration of any contract or subcontract for defense articles, defense services, or design and construction services pursuant to the North Atlantic Treaty Organization Infrastructure Program in accordance with an agreement under which the foreign governments participating in such program provide such services, without charge, in connection with similar contracts or subcontracts.

(2) In carrying out the objectives of this section, the President is authorized to provide cataloging data and cataloging services, without charge, to the North Atlantic Treaty Organization or to any member government thereof, if such Organization or member government provides such data and services in accordance with an agreement on a reciprocal basis, without charge, to the United States Government.

* * * * * * *

[Sec. 23. Credit Sales.—The President is authorized to finance procurements of defense articles, defense services, and design and construction services by friendly foreign countries and international organizations on terms requiring the payment to the United States Government in United States dollars of—

(1) the value of such articles or services within a period not to exceed twelve years after the delivery of such articles or the rendering of such services; and

(2) interest on the unpaid balance of that obligation for payment of the value of such articles or services, at a rate equivalent to the current average interest rate, as of the last day of the month preceding the financing of such procurement, that the United States Government pays on outstanding marketable obligations of comparable maturity, unless the President certifies to Congress that the national interest requires a lesser rate of interest and states in the certification the lesser rate so required and the justification therefor.]

***Sec. 23. Sales Credits.**—The President is authorized to finance procurement of defense articles, defense services, and design and construction services by friendly foreign countries and international organizations, on such terms and conditions as he may determine. The President shall charge interest at a rate determined by the Secretary of the Treasury taking into consideration the current market yields on outstanding marketable obligations of the United States of comparable maturities. Notwithstanding the preceding sentence, the President may charge a lesser rate of interest if he determines that the national interest requires a lesser rate. Loan agreements under this section shall require repayment in United States dollars within a period of not to exceed twelve years after the loan agreement is signed on behalf of the United States Government, unless a longer period is specifically authorized by law for such country or international organization.*

* * * * * * *

Sec. 24. Guaranties.—(a) * * *

* * * * * * *

(c) Funds obligated under this section before the date of enactment of the International Security and Development Cooperation Act of 1980 which constitute a single reserve for the payment of claims under guaranties issued under this section shall remain available for expenditure for the purposes of this section on and after the date. The President shall report promptly to the Congress whenever the payment of a claim under any such guaranty reduces the total amount of funds in the single reserve under this subsection to an amount less than $75,000,000, together with his recommendations for the authorization of appropriations of additional funds for such reserve. For purposes of any provision in this Act or any other Act relating to a prohibition or limitation on the availability of funds under this Act, whenever a guaranty is issued under this section, the principal amount of the loan so guaranteed shall be deemed to be funds made available for use under this Act. Any guaranties issued hereunder shall be backed by the full faith and credit of the United States. *The single reserve described in this subsection may, on and after the date of enactment of the International Security and Development Cooperation Act of 1985, be referred to as the "Guaranty Reserve Fund".*

Sec. 25. Annual Estimate and Justification for Sales Program.—(a) No later than February 1 of each year *or, in the case of para-*

graph (4), no later than April 1 of each year, the President shall transmit to the Congress as a part of the annual presentation materials for security assistance programs proposed for the next fiscal year, a report which sets forth—

* * * * * * *

[(4) an estimate with regard to the international volume of arms traffic to and from nations purchasing arms as set forth in paragraphs (1) and (2) of this subsection, together with best estimates of the sale and delivery of weapons and weapons-related defense equipment by all major arms suppliers to all major recipient countries during the preceding fiscal year;]

(4) an estimate of the amount of sales and deliveries of weapons and weapons-related defense equipment by all major arms suppliers to all major recipient countries in the developing world during the preceding calendar year;

(5)*(A)* an estimate of the aggregate dollar value and quantity of defense articles and defense services, military education and training, grant military assistance, and credits and guarantees, to be furnished by the United States to each foreign country and international organization in the next fiscal year; *and*

(B) for each country that is proposed to be furnished credits or guaranties under this Act in the next fiscal year and that has been approved for cash flow financing, as defined in subparagraph (C) of this paragraph, in excess of $100,000,000 as of October 1 of the current fiscal year—

(i) the amount of such approved cash flow financing;

(ii) a description of administrative ceilings and controls applied; and

(iii) a description of the financial resources otherwise available to such country to pay such approved cash flow financing; and

(C) the term 'cash flow financing' means, for the purposes of subparagraph (B) of this paragraph, the dollar amount of the difference between the total estimated price of a Letter of Offer and Acceptance or other purchase agreement that has been approved for financing under this Act or under section 503(a)(3) of the Foreign Assistance Act of 1961 and the amount of the financing that has been approved therefor.

Chapter 3—MILITARY EXPORT CONTROLS

Sec. 31. Authorization and Aggregate Ceiling on Foreign Military Sales Credits.—(a) [There is hereby authorized to be appropriated to the President to carry out this Act $800,000,000 for the fiscal year 1982 and $800,000,000 for the fiscal year 1983.] *There are authorized to be appropriated to the President to carry out section 23 of this Act $5,464,500,000 for the fiscal year 1986.* Credits may not be extended under section 23 of this Act in an amount, and loans may not be guaranteed under section 24(a) of this Act in a principal amount, which exceeds any maximum amount which may be established with respect to such credits or such loan guarantees in legislation appropriating funds to carry out this Act. Unobligated balances of funds made available pursuant to this section

are hereby authorized to be continued available by appropriations legislation to carry out this Act.

[(b)(1) The total amount of credits (or participations in credits) extended under section 23 of this Act shall not exceed $800,000,000 for the fiscal year 1982 and $800,000,000 for the fiscal year 1983.]

(b)(1) The total amount of credits extended under section 23 of this Act shall not exceed $5,464,500,000 for the fiscal year 1986.

(2) The total principal amount of loans guaranteed under section 24(a) of this Act shall not exceed $3,269,525,000 for the fiscal year 1982 and $3,269,525,000 for the fiscal year 1983.

[(3) Of the aggregate total of credits (or participations in credits) extended under section 23 of this Act, and of the total principal amount of loans guaranteed under section 24(a) of this Act, not less than $1,700,000,000 for the fiscal year 1984 shalll be available only for Israel, of which not less than $850,000,000 shall be credits under section 23. Of the total aggregate credit ceiling made available to Israel, up to $300,000,000 shall be made available for research and development activities in the United States and $250,000,000 shall be made available for the procurement of defense articles and defense services in Israel for the Lavi program.]

(3)(A) Of the aggregate total of credits extended under section 23 of this Act, not less than $1,800,000,000 for the fiscal year 1986 shall be available only for Israel, and Israel shall be released from its contractual liability to repay the United States Government with respect to such credits.

(B) If the Government of Israel requests that funds be used for such purposes, up to $150,000,000 of the amount of credits available only for Israel under subparagraph (A) shall be available for research and development activities in the United States for the Lavi program and not less than $250,000,000 of such credits shall be available for the procurement in Israel of defense articles and defense services, including research and development.

* * * * * * *

[(5) The principal amount of loans guaranteed under section 24(a) of this Act for the fiscal year 1984, with respect to Egypt, Greece, Sudan, Somalia, and Turkey shall (if and to the extent such country so desires) be repaid in not more than twenty years, following a grace period of ten years on repayment of principal.]

(5) The principal amount of credits provided under section 23 at interest rates equivalent to the current average interest rate for United States Government obligations of comparable maturity, or under section 24(a) if provided by the Federal Financing Bank, with respect to Greece, Korea, the Philippines, Portugal, Thailand, and Turkey, shall (if and to the extent each country so desires) be repaid in not more than twenty years, following a grace period of ten years on repayment of principal.

[(6) Of the total amounts of credits (or participations in credits) extended under section 23 of this Act, not less than $465,000,000 for the fiscal year 1984 shall be available only for Egypt and Egypt shall be released from its contractual liability to repay the United States Government with respect to such credits (and participations in credit). Of the total principal amount of loans guaranteed under

section 24(a) of this Act, not less than $900,000,000 for the fiscal year 1984 shall be available only for Egypt.]

(6) Of the total amount of credits extended under section 23 of this Act, not less than $1,300,000,000 for the fiscal year 1986 shall be available only for Egypt, and Egypt shall be released from its contractual liability to repay the United States Government with respect to such credits.

[(7) Of the total amount of credits (or participations in credits) extended under section 23 of this Act for the fiscal years 1982 and 1983, not less than $50,000,000 for each such year shall be available only for the Sudan, and the Sudan shall be released from its contractual liability to repay the United States Government with respect to such credits and participations in credits.]

[(c) Funds made available for the fiscal year 1984 under subsection (a) of this section shall be obligated to finance the procurement of defense articles, defense services, and design and construction services by Israel on a long-term repayment basis either by the extension of credits, without regard to the limitation contained in section 23, or by the issuance of guaranties under section 24. Repayment shall be in not less than twenty years, following a grace period of ten years on repayment of principal. Israel shall be released from $850,000,000 of its contractual liability to repay the United States Government with respect to defense articles, defense services, and design and construction services, so financed.]

* * * * * * *

Sec. 36. Reports on Commercial and Governmental Military Exports; Congressional Action.—(a) * * *

* * * * * * *

(5) projections of the dollar amounts, by foreign country and international organization, or [cash sales expected to be made under sections 21 and 22, credits to be extended under section 23, and guaranty agreements to be made under section 24] *sales expected to be made under sections 21 and 22* in the quarter of the fiscal year immediately following the quarter for which such report is submitted;

(6) a projection with respect to all [cash sales expected to be made and credits expected to be extended] *sales expected to be made* to each country and organization for the remainder of the fiscal year in which such report is transmitted;

* * * * * * *

Sec. 38. Control of Arms Exports and Imports.—(a) * * *

* * * * * * *

[(c) Any] *(c)(1) Except as provided in paragraph (1), any* person who willfully violates any provision of this section or section 39, or any rule or regulation issued under either section, or who willfully, in a registration or license application or required report, makes any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, shall upon conviction be fined [not more than $100,000 or imprisoned not more than two years, or

both] *for each violation not more than $1,000,000 or imprisoned not more than ten years, or both.*

* * * * * * *

(e) In carrying out functions under this section with respect to the export of defense articles and defense services, the President is authorized to exercise the same powers concerning violations and enforcement which are conferred upon departments, agencies and officials by subsections (c), (d), (e), and (f) of section 11 of the Export Administration Act of 1979, and by subsections (a) and (c) of section 12 of such Act, subject to the same terms and conditions as are applicable to such powers under such Act. Nothing in this subsection shall be construed as authorizing the withholding of information from the Congress. *Notwithstanding section 11(c) of the Export Administration Act of 1979, the civil penalty for each violation involving controls imposed on the export of defense articles and defense services under this section may not exceed $500,000.*

* * * * * * *

Chapter 4—GENERAL, ADMINISTRATIVE, AND MISCELLANEOUS PROVISIONS

* * * * * * *

Sec. 43. Administrative Expenses.—(a) Funds made available under other law for the operations of United States Government agencies carrying out functions under this Act shall be available for the administrative expenses incurred by such agencies under this Act.

(b) Charges for administrative services calculated under section 21(e)(1)(A) of this Act shall include recovery of administrative expenses *and official reception and representation expenses* incurred by any department or agency of the United States Government, including any mission or group thereof, in carrying out functions under this Act when—

(1) such functions are primarily for the benefit of any foreign country; and

(2) such expenses are not directly and fully charged to, and reimbursed from amounts received for, sale of defense services under section 21(a) of this Act.

[(c) * * * [Repealed—1981]]

(c) Not more than $72,500 of the funds derived from charges for administrative services pursuant to section 21(e)(1)(A) of this Act may be used each fiscal year for official reception and representation expenses.

* * * * * * *

Sec. 47. Definitions.—For purposes of this Act, the term—

(1) "excess defense article" has the meaning provided by section 644(g) of the Foreign Assistance Act of 1961;

(2) "value" means, in the case of an excess defense article *except as otherwise provided in section 21(a),* not less than the greater of—

(A) the gross cost incurred by the United States Government in repairing, rehabilitating, or modifying such article, plus the scrap value; or

(B) the market value, if ascertainable;

* * * * * * *

(6) "major defense equipment" means any items of significant [combat] *military* equipment of the United States Munitions List having a nonrecurring research and development cost of more than $50,000,000 or a total production cost of more than $200,000,000;

* * * * * * *

Chapter 5—SPECIAL DEFENSE ACQUISITION FUND

Sec. 51. Special Defense Acquisition Fund.—(a)(1) Under the direction of the President and in consultation with the Secretary of State, the Secretary of Defense shall establish a Special Defense Acquisition Fund (hereafter in this chapter referred to as the "Fund"), to be used as a revolving fund separate from other accounts, under the control of the Department of Defense, to finance the acquisition of defense articles and defense service in anticipation of their transfer pursuant to this Act, the Foreign Assistance Act of 1961, or as otherwise authorized by law, to eligible foreign countries and international organizations, and may acquire such articles and services with the funds in the Fund as he may determine. Acquisition under this chapter of items for which the initial issue quantity requirements for United States Armed Forces have not been fulfilled and are not under current procurement contract shall be emphasized when compatible with security assistance requirements for the transfer of such items.

(2) Nothing in this chapter may be construed to limit or impair any responsibilities conferred upon the Secretary of State or the Secretary of Defense under this Act or the Foreign Assistance Act of 1961.

(3) In order to maintain the readiness of the Armed Forces of the United States while facilitating the transfer of less advanced weapons systems in the inventory of the Department of Defense to foreign countries and international organizations in accordance with the provisions of this Act, the Foreign Assistance Act of 1961, or as otherwise authorized by law, instead of the transfer of more advanced weapons systems from procurement, the Fund may be used to acquire defense articles and defense services in anticipation of their transfer, on a reimbursable basis, to the Department of Defense to replace items transferred from the inventory of that Department to foreign countries and international organizations if such items are no longer in production for use by the Armed Forces of the United States.

(4) The Fund may be used to keep on continuous order such defense articles and defense services as are assigned by the Department of Defense for integrated management by a single agency thereof for the common use of all military departments in anticipation of the transfer of similar defense articles and defense services

to foreign countries and international organizations authorized by this Act, the Foreign Assistance Act of 1961, or other law.

* * * * * * *

The Foreign Assistance Act of 1961, as Amended

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PART I

Chapter 1—Policy; Development Assistance Authorizations

* * * * * * *

Sec. 102. Development Assistance Policy.—(a) * * *

* * * * * * *

(b) Assistance under this chapter should be used not only for the purpose of transferring financial resources to developing countries, but also to help countries solve development problems in accordance with a strategy that aims to insure wide participation of the poor in the benefits of development on a sustained basis. Moreover, assistance shall be provided in a prompt and effective manner, using appropriate United States institutions for carrying out this strategy. In order to achieve these objectives and the broad objectives set forth in section 101 and in subsection (a) of this section, bilateral development assistance authorized by this Act shall be carried out in accordance with the following principles.

* * * * * * *

(13) United States encouragement of policy reforms is necessary if developing countries are to achieve economic growth with equity.

(14) Development assistance should, as a fundamental objective, promote private sector activity in open and competitive markets in developing countries, recognizing such activity to be a productive and efficient means of achieving equitable and long-term economic growth.

(15) United States cooperation in development should recognize as essential the need of developing countries to have access to appropriate technology in order to improve food and water, health and housing, education and employment, and agriculture and industry.

(16) United States assistance should focus on establishing and upgrading the institutional capacities of developing countries in order to promote long-term development. An important component of institution building involves training to expand the human resource potential of people in developing countries.

Sec. 103. Agriculture, Rural Development, and Nutrition.—(a)(1) * * *

* * * * * * *

(2) [There are authorized to be appropriated to the President for purposes of this section, in addition to funds otherwise available for such purposes, $700,000,000 for the fiscal year 1982 and $700,000,000 for the fiscal year 1983, of which up to $1,000,000 for each such fiscal year shall be available only to carry out section

316 of the International Security and Development Cooperation Act of 1980.] *There are authorized to be appropriated to the President for purposes of this section, in addition to funds otherwise available for such purposes, $755,551,000 for the fiscal year 1986, of which the President may use such amounts as he deems appropriate to carry out the provisions of section 316 of the International Security and Development Cooperation Act of 1980.* Amounts appropriated under this section are authorized to remain available until expended.

* * * * * * *

[(g) In order to carry out the purposes of this section, the President may continue to participate in and may provide, on such terms and conditions as he may determine, up to $180,000,000 to the International Fund for Agricultural Development. There are authorized to be appropriated to the President for the purposes of this subsection $180,000,000, except that not more than $40,500,000 may be appropriated under this subsection for the fiscal year 1982. Amounts appropriated under this subsection are authorized to remain available until expended.]

(g) It is the sense of the Congress that—

(1) the President should continue United States participation in the International Fund for Agricultural Development, and that funds for the Second Replenishment for that organization will be authorized to be appropriated upon receipt of a recommendation from the President;

(2) the United States should provide a special contribution to the International Fund for Agricultural Development for a special fund for Sub-Saharan African Countries affected by drought and desertification, and the United States should take a leadership role in the creation of such a special fund and should make a substantial contribution to this fund; and

(3) such objectives should be accomplished through a reprogramming of existing appropriations or through some other such procedure designed to guarantee that overall funding levels for programs within the international affairs function of the budget are consistent with targets set by the applicable congressional budget resolution.

* * * * * * *

Sec. 104. Population and Health.—(a) FINDINGS.—* * *

* * * * * * *

(b) ASSISTANCE FOR POPULATION PLANNING.—In order to increase the opportunities and motivation for family planning and to reduce the rate of population growth, the President is authorized to furnish assistance, on such terms and conditions as he may determine, for voluntary population planning. In addition to the provision of family planning information and services, including also information and services which relate to and support natural family planning methods, and the conduct of directly relevant demographic research, population planning programs shall emphasize motivation for small families. *In determining eligibility for assistance under this subsection, the Administrator of the agency primarily responsible for administering this part shall not subject any nongovernmental or multilateral organization to any requirement more restrictive*

than any requirement applicable to a foreign government for such assistance.

* * * * * * *

(c) ASSISTANCE FOR HEALTH AND DISEASE PREVENTION.—(1) * * *

* * * * * * *

(2)(A) In carrying out the purposes of this subsection, the President shall promote, encourage, and undertake activities designed to deal directly with the special health needs of children and mothers. Such activities should utilize simple, available technologies which can significantly reduce childhood mortality, such as improved and expanded immunization programs, oral rehydration to combat diarrheal diseases, and education programs aimed at improving nutrition and sanitation and at promoting child spacing. In carrying out this paragraph, guidance shall be sought from knowledgable health professional from outside the agency primarily responsible for administering this part. In addition to government-to-government programs, activities pursuant to this paragraph should include support for appropriate activities of the types described in this paragraph which are carried out by international organizations (which may include international organizations receiving funds under chapter 3 of this part) and by private and voluntary organizations, and should include encouragement to other donors to support such types of activities.

(B) In addition to otherwise available for such purpose, there are authorized to be appropriated to the President $25,000,000 *for the fiscal year 1986* for use in carrying out this paragraph. Amounts appropriated under this subparagraph are authorized to remain available until expended.

* * * * * * *

(f) PROHIBITION ON USE OF FUNDS FOR ABORTIONS AND INVOLUNTARY STERILIZATIONS.—(1) * * *

* * * * * * *

(4) None of the funds made available to carry out subsection (b) may be used, directly or indirectly—

(A) in any country which permits, officially or in practice, infanticide or coerced abortion; or

(B) by any organization which provides funds, directly or indirectly, with respect to such a country.

* * * * * * *

[(g) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the President, in addition to funds otherwise available for such purposes—

[(1) $211,000,000 for the fiscal year 1982 and $211,000,000 for the fiscal year 1983 to carry out subsection (b) of this section; and

[(2) $133,405,000 for the fiscal year 1982 and $133,405,000 for the fiscal year 1983 to carry out subsection (c) of this section. Of the funds appropriated for each of the fiscal years 1982 and 1983 to carry out subsection (b) of this section, not less than 16 percent or $38,000,000, whichever amount is less, shall be available only for the United Nations Fund for Population Activities.

[Funds appropriated under this subsection are authorized to remain available until expended.]

(g) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the President, in addition to funds otherwise available for such purposes—

(1) $270,017,000 for the fiscal year 1986 to carry out subsection (b) of this section; and

(2) $186,427,000 for the fiscal year 1986 to carry out subsection (c) of this section.

Funds appropriated under this subsection are authorized to remain available until expended.

* * * * * * *

Sec. 105. Education and Human Resources Development.—(a) In order to reduce illiteracy, to extend basic education, and to increase manpower training in skills related to development, the President is authorized to furnish assistance on such terms and conditions as he may determine, for education, public administration, and human resource development. [There are authorized to be appropriated to the President for the purposes of this section, in addition to funds otherwise available for such purposes, $103,600,000 for the fiscal year 1982 and $103,600,000 for the fiscal year 1983, which are authorized to remain available until expended.] *There are authorized to be appropriated to the President for the purposes of this section, in addition to funds otherwise available for such purposes, $177,100,000 for the fiscal year 1986, which are authorized to remain available until expended.* [For each of the fiscal years 1982 and 1983, the President shall use not less than $4,000,000 of the funds made available for the purposes of this section to finance scholarships for undergraduate or professional education in the United States for South African students who are disadvantaged by virtue of legal restrictions on their ability to get an adequate undergraduate or professional education, except that up to $1,000,000 of the funds made available for each such fiscal year under chapter 4 of part II of this Act for southern African regional programs may be used to finance such scholarships in lieu of an equal amount under this section.]

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Sec. 106. Energy, Private Voluntary Organizations, and Selected Development Activities.—(a)(1)(A) * * *

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(b)(1)[(A)] In order to help developing countries alleviate their energy problems by improving their ability to use indigenous energy resources to produce the energy needed by their economies, the President is authorized to furnish assistance, on such terms and conditions as he may determine, to enable such countries to prepare for and undertake development of their energy resources. Such assistance may include data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production.

[(B) Of the funds made available to carry out this section, up to $7,000,000 for fiscal year 1981 shall be used for purposes of para-

graph (A) to facilitate geological and geophysical survey work to locate potential oil, natural gas, and coal reserves and to encourage exploration for potential oil, natural gas, and coal reserves in developing countries which are not members of the Organization of Petroleum Exporting Countries.]

* * * * * * *

[(e)(1) There are authorized to be appropriated to the President for purposes of this section, in addition to funds otherwise available for such purposes, $147,200,000 for the fiscal year 1982 and $147,200,000 for the fiscal year 1983.]

(e)(1) There are authorized to be appropriated to the President for purposes of this section, in addition to funds otherwise available for such purposes, $200,000,000 for the fiscal year 1986.

* * * * * * *

Sec. 108. Private Sector Revolving Fund.—(a) * * *

(b) of the funds made available under this chapter in fiscal year [1984, up to $20,000,000] *1986, up to $16,000,000* may be deposited in this account. Such funds used in accordance with the policies and authorities of this section shall be in addition to other funds available for private sector activities under other authorities in this Act. Any reflows and income arising from activities carried out pursuant to this section, including loan repayments and fee income (as provided in subsection (e) of this section), shall be deposited into the revolving fund and remain available to carry out the purposes of this section. All funds in such account may be invested in obligations of the United States.

* * * * * * *

Sec. 110. Cost-Sharing and Funding Limits.—[(a)] No assistance shall be furnished by the United States Government to a country under sections 103 through 106 of this Act until the country provides assurances to the President, and the President is satisfied, that such country provide at least 25 per centum of the costs of the entire program, project, or activity with respect to which such assistance is to be furnished, except that such costs borne by such country may be provided on an "in-kind" basis.

[(b) No grant assistance shall be disbursed by the United States Government under sections 103 through 106 of this Act for a project, for a period exceeding thirty-six consecutive months, without further justification satisfactory to the Congress and efforts being made to obtain sources of financing within that country and from other foreign countries and multilateral organizations.]

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Sec. 121. Sahel Development Program—Implementation.—(a)* * *

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(c) There are authorized to be appropriated to the President for purposes of this section beginning in fiscal year 1978, in addition to funds otherwise available for such purposes, $200,000,000, except that not to exceed $50,000,000, may be appropriated under this section for the fiscal year 1978. In addition to the amount authorized in the preceding sentence and to funds otherwise available for such

purposes, there are authorized to be appropriated to the President for purposes of this section $25,000,000. [In addition to the amounts authorized in the preceding sentences and to funds otherwise available for such purposes, there are authorized to be appropriated to the President for purposes of this section $86,558,000 for the fiscal year 1982 and $86,558,000 for the fiscal year 1983.] *In addition to the amounts authorized to be appropriated by the preceding sentences and to funds otherwise available for such purposes, there are authorized to be appropriated to the President for purposes of this section $80,500,000 for the fiscal year 1986.* Amounts appropriated under this section are authorized to remain available until expended.

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Sec. 123. Private and Voluntary Organizations and Cooperatives in Overseas Development.—(a) * * *

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(e) Prohibitions on assistance to countries contained in this or any other Act shall not be construed to prohibit assistance by the agency primarily responsible for administering this part in support of programs of private and voluntary organizations and cooperatives already being supported prior to the date *on which it is determined* such prohibition becomes applicable. The President shall take into consideration, in any case in which statutory prohibitions on assistance would be applicable but for this subsection, whether continuation of support for such programs is in the national interest of the United States. If the President continues such support after [such date] *the date on which a decision is made to continue such support,* he shall prepare and transmit, not later than thirty days after [such date] *the date on which decision is made to continue such support,* to the Speaker of the House of Representatives and to the chairman of the Committee on Foreign Relations of the Senate a report setting forth the reasons for such continuation.

* * * * * * * *

[(f) For each of the fiscal year 1982, 1983 and 1984, funds in an amount not less than twelve percent of the aggregate amount appropriated for that fiscal year to carry out sections 103(a), 104(b), 104(c), 105, 106, 121, and 491 of this Act shall be made available for the activities of private and voluntary organizations, and the President shall seek to channel funds in an amount not less than sixteen percent of such aggregate amount for the activities of private and voluntary organizations.]

(f) In addition to funds otherwise available for such purposes, not less than 15 percent of the aggregate amount appropriated for any fiscal year to carry out sections 193(a), 104(b), 104(c), 105, 106, 121, and 491 of this Act. Funds made available under section 531 of this Act for the activities of private and voluntary organizations may be considered in determining compliance with the requirements of the previous sentence.

* * * * * * *

(h) The Congress recognizes that, in addition to their role in social and economic development, cooperatives provide an opportunity for

people to participate directly in democratic decision-making. Therefore, assistance under this chapter may be provided to rural and urban cooperatives which offer large numbers of low and middle income people in developing countries an opportunity to participate directly in democratic decision-making. Such assistance shall be designed to encourage the adoption of self-help, private sector cooperative techniques and practices which have been successful in the United States.

Sec. 126. Development and Illicit Narcotics Production.—(a) * * *

* * * * * * *

(b) In planning programs of assistance unser this chapter *and under chapter 4 of part II* for countries in which there is illicit narcotics cultivation, the agency primarily responsible for administering this part should give priority consideration to programs which would help reduce illicit narcotics cultivation by stimulating broader development opportunities. *The agency primarily responsible for administering this part may utilize resources for activities aimed at increasing awareness of the effects of production and trafficking of illicit narcotics on source and transit countries.*

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Chapter 2—Other Programs

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Title II—American Schools and Hospitals Abroad; Prototype Desalting Plant

Sec. 214. American Schools and Hospitals Abroad.—(a) * * *

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[(c) To carry out the purposes of this section, there are authorized to be appropriated to the President $20,000,000 for the fiscal year 1982 and $20,000,000 for the fiscal year 1983, which are authorized to remain available until expended.]

(c) To carry out the purposes of this section, there are authorized to be appropriated to the President $30,000,000 for the fiscal year 1986, which are authorized to remain available until expended.

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Title III—Housing and Other Credit Guaranty Programs

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Sec. 222. Authorization.—(a) To carry out the policy of section 221, the President is authorized to issue guaranties to eligible investors (as defined in section 238(c)) assuring against losses incurred in connection with loans made for projects meeting the criteria set forth in section 221. The total principal amount of guaranties issued under this title or heretofore issued under prior housing guaranty authorities, which are outstanding at any one time, shall not exceed [$1,958,000,000] $2,003,000,000. The authority of this section shall continue through September 30, [1986] *1987*. The President may issue regulations from time to time with regard to

the terms and conditions upon which such guaranties shall be issued and the eligibility of lenders.

* * * * * * *

Sec. 223. General Provisions.—(a) * * *

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(j) Guaranties shall be issued under section 222 only for housing projects which are coordinated with and complementary to any development assistance being furnished under chapter 1 of this part and which are specifically designed to demonstrate the feasibility and suitability of particular kinds of housing or of financial or other institutional arrangements. Of the aggregate face value of housing guaranties hereafter issued under this title, not less than 90 per centum shall be issued for housing suitable for families with income below the median income (below the median urban income for housing in urban areas) in the country in which the housing is located. The face value of guaranties issued with respect to housing in any country shall not exceed $25,000,000 in any fiscal year[, and the average face value of guaranties issued in any fiscal year shall not exceed $15,000,000]. Of the total amount of housing guaranties authorized to be issued under section 222 through September 30, 1982, not less than a face amount of $25,000,000 shall be issued for projects in Israel and not less than a face amount of $25,000,000 shall be issued for projects in Egypt.

* * * * * * *

Sec. 224. Trade Credit Insurance Program.—(a) * * *

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(e) Commitments to guarantee under subsection (a) are authorized only to the extent and in the amounts provided in appropriations Acts, not to exceed $300,000,000 in the [fiscal year 1985] *fiscal years 1985 and 1986.*

* * * * * * *

Title V—Disadvantage Children in Asia

Sec. 241. Assistance to Certain Disadvantaged Children in Asis.—(a) * * *

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(b) Accordingly, the President is authorized to expend up to [$2,000,000] *$3,000,000* of fund made available under chapter 1 of this part, in addition to funds otherwise available for such purposes, to help meet the needs of these disadvantaged children in Asia by assisting in the expansion and improvement of orphanages, hostels, day care centers, school feeding programs, and health, education, and welfare programs. Assistance provided under this section shall be furnished under the auspices of and by international organizations or private voluntary agencies operating within, and in cooperation with, the countries of Asia where these disadvantaged children reside.

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Chapter 3—International Organizations and Programs

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Sec. 302. Authorization.—[(a)(1) There are authorized to be appropriated to the President for grants to carry out the purposes of this chapter, in addition to funds available under any other Acts for such purposes, $218,600,000 for the fiscal year 1982 and $218,600,000 for the fiscal year 1983. Of the funds appropriated under this paragraph for each of the fiscal years 1982 and 1983, (A) not less than 19.6 percent or $45,000,000, whichever amount is less, shall be available only for the United Nations Children's Fund, (B) not less than 59.5 percent or $134,500,000 whichever amount is less, shall be available only for the United Nations Development Fund, (C) not less than 4.4 percent or $10,000,000, whichever amount is less, shall be available only for the United Nations Environment Fund, (D) not less than 0.159 percent or $400,000, whichever amount is less, shall be available only for the United Nations Trust Fund for Southern Africa, and (E) not less than 0.196 percent or $500,000, whichever amount is less, shall be available only for the United Nations Institute for Training and Research.] *(a)(1) There are authorized to be appropriated to the President for grants to carry out the purposes of this chapter, in addition to funds available under any other Acts for such purposes, $267,675,500 for the fiscal year 1986. Of the funds appropriated under this paragraph for the fiscal year 1986—*

(A) $165,000,000 shall be available only for the United Nations Development Program;

(B) $53,500,000 shall be available only for the United Nations Children's Fund (UNICEF); and

(C) $10,000,000 shall be available only for the United Nations Environment Program.

* * * * * * *

(d) Notwithstanding any other provision of law, none of the funds authorized to be appropriated by this section shall be available for the United States' proportionate share for any programs for the Palestine Liberation Organization, the Southwest Africa Peoples Organization, Libya, Iran, Cuba, or Syria.

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Sec. 306. Reports on International Organizations.—[(a)] The annual reports to the Congress under section 2 of the Act of September 21, 1950 (64 Stat. 902; 22 U.S.C. 262a), shall be submitted within nine months after the end of the fiscal year to which they relate.

[(b)(1) The President shall submit semiannual reports to the Congress listing all voluntary contributions by the United States Government to international organizations. One of the semiannual reports shall be submitted no later than July 1 and shall list all contributions made during the first six months of the then current fiscal year. The other semiannual report shall be submitted no later than January 1 and shall list all contributions made during the last six months of the preceding fiscal year. Each such report shall specify the Government agency making the voluntary contribution, the international organization to which the contribution

was made, the amount and form of the contribution, and the purpose of the contribution. Contributions shall be listed on both an agency-by-agency basis and an organization-by-organization basis.

[(2) In order to facilitate the preparation of the reports required by paragraph (1), the head of any Government agency which makes a voluntary contribution to any international organization shall promptly report that contribution to the Director of the Office of Management and Budget.

[(3) As used in this subsection, the term "contribution" means any contribution of any kind, including the furnishing of funds or other financial support, services of any kind (including the use of experts or other personnel), or commodities, equipment, supplies, or other materials.]

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[Chapter 6—Assistance to Countries Having Agrarian Economies * * * [Repealed—1978]]

Chapter 6—Central America Democracy, Peace, and Development Initiative

Sec. 461. Statement of Policy.—*(a) The Congress finds that the building of democracy, the restoration of peace, the improvement of living conditions, and the application of equal justice under law in Cental American are important to the interests of the United States and the community of American States. The Congress further finds that the interrelated issues of social and human progress, economic growth, political reform, and regional security must be effectively dealt with to assure a democratic and economically and politically secure Central America.*

(b)(1) The achievement of democracy, human rights, peace, and equitable economic growth depends primarily on the cooperation and the human and economic resources of the people and governments of Central America. The Congress recognizes that the United States can make a significant contribution to such peaceful and democratic development through a consistent and coherent policy which includes a long-term commitment of assistance. This policy should be designed to support actively—

(A) democracy and political reform, including opening the political process to all members of society;

(B) human rights, including free elections, freedom of the press, freedom of association, and the elimination of the violent abuse of human rights;

(C) leadership development, including training and educational programs to improve public administration and the administration of justice;

(D) land reform;

(E) the establishment of the rule of law and an effective judicial system; and

(F) the termination of extremist violence by both the left and the right as well as vigorous action to prosecute those guilty of crimes and the prosecution to the extent possible of past offenders.

(2) The policy referred to in paragraph (1) should also promote equitable economic growth and development, including controlling the flight of capital and the effective use of foreign assistance and adherence to approved programs for economic stabilization and fiscal responsibility. Finally, this policy should foster dialog and negotiations to achieve peace based upon the objectives of democratization, reduction of armament, an end to subversion, and the withdrawal of foreign military forces and advisers; and to provide a security shield against violence and intimidation. It is the purpose of this chapter to establish the statutory framework and to authorize the appropriations and financing necessary to carry out the policy described in this section.

(c) The Congress finds therefore that the people of the United States are willing to sustain and expand a program of economic and military assistance in Central America if the recipient countries can demonstrate progress toward and a commitment to these goals.

***Sec. 462. Conditions on Furnishing Assistance.**—(a) The President shall ensure that assistance authorized by this Act and the Arms export Control Act to central American countries is furnished in a manner which fosters demonstrated process toward and commitment to the objectives set forth in section 461. Where necessary to achieve this purpose, the President shall impose conditions on the furnishing of such assistance. In carrying out this section, the President shall consult with the Congress in regard to progress toward the objectives set forth in section 461, and any conditions imposed on the furnishing of assistance in furtherance of those objectives.*

(b) The reporting requirements with respect to El Salvador contained in—

(1) the last proviso of the paragraph under the heading "MILITARY ASSISTANCE" contained in the joint resolution entitled "A joint resolution making an urgent supplemental appropriation for the fiscal year ending September 30, 1984, for the Department of Agriculture," approved July 2, 1984 (Public Law 98-332); and

(2) section 533 in the Foreign Assistance and Related Programs Appropriations Act, 1985, as added by the joint resolution entitled "A joint resolution making continuing appropriations for the fiscal year 1985, and for other purposes," approved October 12, 1984 (Public Law 98-473; 98 Stat. 1837),

shall not apply after the date of enactment of this section.

***Sec. 463. Peace Process in Central America.**—The Congress—*

(1) strongly supports the initiatives taken by the Contadora group and the resulting Document of Objectives which has been agreed to by Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua and which sets forth a framework for negotiating a peaceful settlement to the conflict and turmoil in the region; and

(2) finds that the United States should provide such assistance and support as may be appropriated in helping to reach comprehensive and verifiable final agreements, based on the Document of Objectives, which will ensure peaceful and enduring solutions to the Central American conflicts.

***Sec. 464. Economic Assistance Coordination.**—(a) The Congress finds that participation by Central American countries in an effec-*

tive forum for dialog on, and the continuous review and advancement of, Central America's political, economic, and social development would foster cooperation between the United States and Central American countries.

(b) It is sense of the Congress that—

(1) the President should enter into negotiations with the countries of Central America to establish a Central American Development Organization (hereafter in this section referred to as the "Organization") to help provide a continuous and coherent approach to the development of the Central American region; and

(2) the establishment of the Central American Development Organization should be based upon the following principles:

(A) that participation in the Organization be open to the United States, other donors, and those Central American countries that commit themselves to, among other things, progress on human rights, building democracy, and encouraging equitable economic growth through policy reforms;

(B) that the Organization be structured to include representatives from both the public and private sectors, including representatives from the labor, agriculture, and business communities;

(C) that the Organization meet periodically to carry out the functions described in subparagraphs (D) and (E) of this paragraph and should be supported by a limited professional secretariat;

(D) that the Organization make recommendations affecting Central American countries on such matters as—

(i) political, economic, and social development objectives, including the strengthening of democratic pluralism and the safeguarding of human rights;

(ii) mobilization of resources and external assistance needs; and

(iii) reform of economic policies and structures;

(E) that the Organization have the capacity for monitoring country performance on recommendations issued in accordance with subparagraph (D) of this paragraph and for evaluating progress toward meeting such country objectives;

(F) that to the maximum extent practicable, the United States follow the recommendations of the Organization in disbursing bilateral economic assistance for any Central American country. No more than 75 per centum of such United States assistance in any fiscal year should be disbursed until the recommendations of the Organization for that fiscal year have been made final and communicated to the donor countries. The limitation on disbursements contained in the preceding sentence should apply only to recommendations made final and communicated to donor countries prior to the fourth quarter of such fiscal year. The United States representative to the Organization should urge other donor countries to similarly implement the recommendations of the Organization; and

(G) that the administrator of the agency primarily responsible for administering part I of this Act, or his designee, represent the United States Government in the Organi-

zation and should carry out his functions in that capacity under the continuous supervision and general direction of the Secretary of State.

(c) Subject to subsection (d)(2), the President is authorized to participate in the Organization.

(d)(1) The administrator of the agency primarily responsible for administering part I of this Act, under the supervision and direction of the Secretary of State, shall prepare a detailed proposal to carry out this section and shall keep the Committee on Foreign Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate fully and currently informed concerning the development of this proposal.

(2) The President shall transmit to the Committee on Foreign Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate a copy of the text of any agreement which he proposes to sign providing for the establishment of and United States participation in the Organization no less than sixty days prior to is signature. During that sixty-day period there shall be full and formal consultations with and review by those committees in accordance with applicable procedures to reprogramming notifications pursuant to section 634A of this Act.

***Sec. 465. Authorizations for Fiscal Years 1987 Through 1989.**—In addition to amounts otherwise available for such purposes, there are authorized to be appropriated to the President, for the purpose of furnishing nonmilitary assistance for Central American countries, $1,200,000,000 for each of the fiscal years 1987 through 1989, to remain available until expended. For the purpose of providing the assistance described in the preceding sentence, funds appropriated under this section are authorized to be transferred by the President for obligation in accordance with the authorities of part I of this Act (including chapter 4 of part II of such Act), the Peace Corps Act, the Migration and Refugee Assistance Act of 1962, the United States Information and Education Exchange Act of 1984, the Mutual Educational and Cultural Exchange Act of 1961, the National Endowment for Democracy Act, and the State Department Basic Authorities Act of 1956.*

***Sec. 466. Definitions.**—For the purposes of this chapter, the term "Central American countries" shall be deemed to include Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, and regional programs which benefit such countries.*

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Chapter 8—International Narcotics Control

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Sec. 481. International Narcotics Control.—(a)(1) * * *

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[(b)(1) Not later than forty-five days after the date on which each calendar quarter of each year ends, the President shall transmit to the Speaker of the House of Representatives, and to the Committee on Foreign Relations of the Senate, a report on the programming and obligation, on a calendar quarter basis, of funds under this chapter prior to such date.

[(2) Not later than forty-five days after the date on which the second calendar quarter of each year ends and not later than forty-five days after the date on which the fourth calendar quarter of each year ends, the President shall transmit to the Speaker of the House of Representatives, and to the Committee on Foreign Relations of the Senate, a complete and detailed semiannual report on the activities and operations carried out under this chapter prior to such date. Such semiannual report shall include, but shall not be limited to—

(A) the status of each agreement concluded prior to such date with other countries to carry out the purposes of this chapter, and

(B) the aggregate of obligations and expenditures made, and the types and quantity of equipment provided, on calendar quarter basis, prior to such date—

(i) to carry out the purposes of this chapter with respect to each country and each international organization receiving assistance under this chapter including the cost of United States personnel engaged in carrying out such purposes in each such country and with each such international organizations;

(ii) to carry out each program conducted under this chapter in each country and by each international organization, including the cost of United States personnel engaged in carrying out each such program; and

(iii) for administrative support services within the United States to carry out the purposes of this chapter, including cost of United States personnel engaged in carrying out such purposes in the United States.]

(b)(1) Not later than forty-five days after the end of each calendar quarter, the President shall transmit to the Speaker of the House of Representatives, and to the Committee on Foreign Relations of the Senate, a report on the programming and obligation, on a calendar basis, of funds under this chapter prior to the end of that quarter. The last such report for each fiscal year shall include the aggregate obligations and expenditures made, and the types and quantity of equipment provided, on a calendar quarter basis, prior to end of that fiscal year—

(A) to carry out the purposes of this chapter with respect to each country and each international organization receiving assistance under this chapter, including the cost of the United States personnel engaged in carrying out such purposes in each such country and with each such international organization;

(B) to carry out each program conducted under this chapter in each country and by each international organization, including the cost of United States personnel engaged in carrying out each such program; and

(C) for administrative support services within the United States to carry out the purposes of this chapter, including the cost of United States personnel, engaged in carrying out such purposes in the United States.

(2) Not later than August 1 of each year, the President shall transmit to the Speaker of the House of Representatives, and to the Committee on Foreign Relations of the Senate, a complete and de-

tailed midyear report on the activities and operations carried out under this chapter prior to such date. Such midyear report shall include, but not be limited to, the status of each agreement concluded prior to such date with other countries to carry out the purposes of this chapter.

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Sec. 482. Authorization.—(a)(1) To carry out the purposes of section 481, there are authorized to be appropriated to the President [$37,700,000 for the fiscal year 1982 and $37,700,000 for the fiscal year 1983] *$50,217,000 for the fiscal year 1986.*

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Chapter 9—International Disaster Assistance

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Sec. 492. Authorization.—(a) There are authorized to be appropriated to the President to carry out section 491, [$27,000,000 for the fiscal year 1982 and $27,000,000 for the fiscal year 1983] *$25,000,000 for the fiscal year 1986.* Amounts appropriated under this section are authorized to remain available until expended.

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[Chapter 10—Assistance to Portugal and Portuguese Colonies in Africa Gaining Independence

[Sec. 496. (a) Assistance to Portugal and Portuguese Colonies in Africa Gaining Independence.—There are authorized to be appropriated to the President for the fiscal year 1975, in addition to funds otherwise available for such purposes, not to exceed—

[(1) $7,750,000 to make grants; and

[(2) $17,250,000 to make loans;

to remain available until expended, for use by the President in providing economic assistance, on such terms and conditions as he may determine, for Portugal and the countries and colonies in Africa which were, prior to April 25, 1984, colonies of Portugal.

[(b) Notwithstanding the provisions of section 620(r) of this Act, the United States is authorized to forgive the liability incurred by the Government of the Cape Verde Islands for the repayment of a $3,000,000 loan on June 30, 1975.

[(c) The President is authorized to use up to $30,000,000 of the funds made available under this part for the fiscal year 1976, in addition to funds otherwise available for such purposes, to provide development assistance in accordance with chapter 1 or relief and rehabilitation assistance in accordance with chapter 9 (including assistance through international or private voluntary organizations) to countries and colonies in Africa which were prior to April 25, 1974, colonies of Portugal.]

[Sec. 497. Balance of Payments Loan for Portugal.—(a) In recognition of the established interest of the United States in fostering a democratic government in Portugal, in maintaining the strength of the North Atlantic Treaty Organization alliance, and in supporting European economic recovery, the purpose of this section is to provide essential balance of payments assistance to Portugal.

[(b) The President is authorized to make balance of payments support loans to Portugal as part of a special international effort to assist that country in the development and implementation of a program to gain financial stability and economic recovery.

[(c) There are authorized to be appropriated to the President not to exceed $300,000,000 for the fiscal year 1978 to carry out the purposes of this section, which amount is authorized to remain available until expended.]

PART II

Chapter 1—Policy

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Sec. 503. General Authority.—(a) The President is authorized to furnish military assistance, on such terms and conditions as he may determine, to any friendly country or international organization, the assisting of which the President finds will strengthen the security of the United States and promote world peace and which is otherwise eligible to receive such assistance, by—

(1) acquiring from any source and providing (by loan or grant) any defense article or defense service;

(2) assigning or detailing members of the Armed Forces of the United States and other personnel of the Department of Defense to perform duties of a non-combatant nature; or

(3) transferring such of the funds appropriated or otherwise made available under this chapter as the President may determine for assistance to a recipient country, to the account in which funds for the procurement of defense articles and defense services under section 21 and section 22 of the Arms Export Control Act have been deposited for such recipient, to be merged with such deposited funds, and to be used solely to meet obligations of the recipient for payment for sales under that Act. *Sales which are wholly paid from funds so transferred shall be priced to exclude the costs of salaries of members of the Armed Forces of the United States.*

Chapter 2—Military Assistance

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Sec. 504. Authorization.—(a)(1) There are authorized to be appropriated to the President to carry out the purposes of this chapter [not to exceed $238,500,000 for fiscal year 1982 and not to exceed $238,500,000 for the fiscal year 1983] *$805,100,000 for the fiscal year 1986, of which amount not less than $15,000,000 shall be available only for Tunisia.*

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Sec. 514. Stockpiling of Defense Articles for Foreign Countries.—(a) * * *

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(b)(1) The value of defense articles to be set aside, earmarked, reserved, or intended for use as war reserve stocks for allied or other foreign countries (other than for purposes of the North Atlantic Treaty Organization) in stockpiles located in foreign countries may

not exceed in any fiscal year an amount greater than is specified in security assistance authorizing legislation for that fiscal year.

[(2) The value of such additions to stockpiles in foreign countries shall not exceed $125,000,000 for the fiscal year 1984 and $248,000,000 for the fiscal year 1985.]

(2) The value of such additions to stockpiles in foreign countries shall not exceed $360,000,000 for the fiscal year 1986.

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Sec. 515. Overseas Management of Assistance and Sales Programs.—(a) * * *

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(c)(1) The number of members of the Armed Forces assigned to a foreign country under this section may not exceed six unless specifically authorized by the Congress. The President may waive this limitation if he determines and reports to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives, 30 days prior to the introduction of the additional military personnel, that United States national interests require that more than six members of the Armed Forces be assigned under this section to carry out international security assistance programs in a country not specified in this paragraph. [For the fiscal year 1982 and the fiscal year 1983] *For the fiscal year 1986, Pakistan, Tunisia, Sudan, El Salvador, Honduras,* Indonesia the Republic of Korea, the Philippines, Thailand, Egypt, Jordan, Morocco, Saudi Arabia, Greece, Portugal, Spain, and Turkey are authorized to have military personnel strengths larger than six under this section to carry out international security assistance programs.

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Chapter 4—Economic Support Fund

[**Sec. 531. Authority.**—(a)(1) The Congress recognizes that under special economic, political, or security conditions the national interests of the United States may require economic support for countries or in amounts which could not be justified solely under chapter 1 of part I. In such cases, the President is authorized to furnish assistance to countries and organizations, on such terms and conditions as he may determine, in order to promote economic or political stability. In planning assistance intended for economic development under this chapter, the President shall take account, to the maximum extent feasible, the policy directions of section 102.

[(2) The Secretary of State shall be responsible for policy decisions and justifications for economic support programs under this chapter, including determinations of whether there will be an economic support program for a country and the amount of the program for each country. The Secretary shall exercise this responsibility in cooperation with the Administrator of the agency primarily responsible for administering part I.

[(b)(1) There are authorized to be appropriated to the President to carry out the purposes of this chapter $2,623,500,000 for the fiscal year 1982 and $2,723,500,000 for the fiscal year 1983.

[(2) Amounts appropriated to carry out this chapter are authorized to remain available until expended.

[(c) Amounts appropriated to carry out this chapter shall be available for economic programs only and may not be used for military or paramilitary purposes.]

Sec. 531. Authority.—*(a)(1) The Congress recognizes that under special economic, political, or security conditions the national interests of the United States may require economic support for countries or in amounts which could not be justified solely under chapter 1 of part I. In such cases, the President is authorized to furnish assistance to countries and organizations, on such terms and conditions as he may determine, in order to promote economic or political stability. To the maximum extent feasible, the President shall provide assistance under this chapter consistent with the policy directions, purposes, and programs of part I of this Act.*

(2) To the maximum extent feasible, funds made available pursuant to this chapter for commodity import programs or other program assistance shall be used to generate local currencies, not less than 50 per centum of which shall be available to support activities consistent with the objectives of sections 103 through 106 of this Act, and administered by the agency primarily responsible for administering part I of this Act.

(3) The Secretary of State shall be responsible for policy decisions and justifications for economic support programs under this chapter, including determinations of whether there will be an economic support program for a country and the amount of the program for each country. The Secretary shall exercise this responsibility in cooperation with the Administrator of the agency primarily responsible for administering part I.

(4) As part of the annual presentation materials for foreign assistance submitted to the Congress, the agency primarily responsible for administering this chapter shall provide a detailed justification for the uses and the purposes of the funds provided under this chapter. Such material shall include, but not be limited to, information concerning the amounts and kinds of cash grant transfers, the amounts and kinds of budgetary and balance-of-payments support provided, and the amounts and kinds of projectized assistance provided with funds made available under this chapter.

(b)(1) There are authorized to be appropriated to the President to carry out the purposes of this Chapter—

(A) $2,015,000,000 for the fiscal year 1986 for the following countries signing the Camp David agreement: Israel and Egypt, of which amount $1,200,000,000 shall be available only for Israel and $815,000,000 shall be available only for Egypt; and

(B) $1,826,000,000 for the fiscal year 1986 for countries other than the countries referred to in clause (A), of which amount—

(i) $15,000,000 shall be available only for Cyprus;

(ii) not less than $20,000,000 shall be available only for Tunisia; and

(iii) $80,000,000 shall be available only for Portugal.

(2) Amounts appropriated to carry out this Chapter are authorized to remain available until expended.

(c)(1) All of the funds made available to Israel and to Egypt under this chapter for the fiscal year 1986 shall be provided on a grant basis.

(2) The total amount of funds allocated for Israel under this chapter for the fiscal year 1986 shall be made available as a cash transfer on an expedited basis within the first thirty days of the fiscal year.

(3) Of the total amount of funds made available for Egypt under this chapter, up to $200,000,000 of such funds may be obligated, but not less than $165,000,000 shall be obligated, in the form of a cash transfer to help and encourage economic reforms and Egypt's own developmental efforts, except that any funds obligated under this subsection in excess of $100,000,000 shall be funds which were reallocated from project support funds.

(d) Amounts appropriated to carry out this chapter shall be available for economic programs only and may not be used for military or paramilitary purposes.

(e) The President shall use an amount equal to not less than 20 percent of the funds which are appropriated to carry out this chapter and which are made available for commodity import programs for the purchase of agricultural commodities which are of United States origin.

[Sec. 532. Earmarking for Israel and Egypt.—Of the funds authorized to be appropriated to carry out this chapter for the fiscal year 1984, not less than $910,000,000 shall be available only for Israel and not less the $750,000,000 shall be available only for Egypt.**]**

[Sec. 533. Eastern Mediterranean Programs.—(a) Not less than two-thirds of the funds made available to Turkey under this chapter for each of the fiscal years 1982 and 1983 shall be provided on a grant basis.

[(b) Of the funds authorized to be appropriated to carry out this chapter for the fiscal year 1982 and for the fiscal year 1983, $15,000,000 for each such year shall be available only for Cyprus. Of that amount, $5,000,000 for the fiscal year 1982 and $10,000,000 for the fiscal year 1983 shall be for scholarship programs to bring Cypriots to the United States for education.**]**

[Sec. 535.] ***Sec. 532.*** **Emergency Assistance.**—(a) Of the funds appropriated to carry out this chapter up to $75,000,000 for the fiscal year **[**1982 and up to $75,000,000 for the fiscal year 1983**]** *1986* may be made available for emergency use under this chapter when the national interests of the United States urgently require economic support to promote economic or political stability.

(b) Notwithstanding any provision of this chapter or of an appropriations Act (including a joint resolution making continuing appropriations) which earmarks funds available to carry out this chapter for a specific country or purpose, up to 5 percent of each amount so earmarked may be used to carry out this section.

Sec. 533. Prohibition on Use of Funds for Nuclear Facilities.—*Funds available to carry out this chapter for the fiscal year 1986 may not be used to finance the construction of, the operation or maintenance of, or the supplying of fuel for, any nuclear facility in a foreign country unless the President certifies to the Congress that the country in question is a party to the Non-Proliferation Treaty,*

cooperates fully with the International Atomic Energy Agency, and pursues nuclear non-proliferation policies consistent with those of the United States.

[Sec. 534. Prohibition on Use of Funds for Nuclear Facilities.—Funds available to carry out this chapter for the fiscal year 1982 and for the fiscal year 1983 may not be used to finance the construction of, the operation or maintenance of, or the supplying of fuel for, any nuclear facility in a foreign country unless the President certifies to the Congress that use of funds for such purpose is indispensable to the achievement of nonproliferation objectives which are uniquely significant and of paramount importance to the United States.**]**

Sec. 534. Prohibition on Use of Funds for Lebanon.—*None of the funds authorized to be appropriated to carry out this chapter for the fiscal year 1986 may be available for Lebanon.*

Sec. 535. Administration of Justice.—*(a) The President may furnish assistance to countries and organizations, including national and regional institutions, in order to strengthen the administration of justice in Latin America and the Caribbean. Assistance under this section may include—*

(1) support for specialized professional training, scholarships, and exchanges for continuing legal education;

(2) programs to enhance judicial, prosecutorial, investigative and enforcement capabilities, and to provide protection for participants in judicial cases;

(3) strengthening professional organizations to promote services to members and the role of the bar in judicial selection, enforcement of ethical standards, and legal reform;

(4) increasing the availability of legal materials and publications;

(5) seminars, conferences, training and educational programs to improve the administration of justice and to strengthen respect for the rule of law and human rights; and

(6) revision and modernization of legal codes and procedures.

(b) The assistance specified in this section may be provided notwithstanding section 660 of this Act. The President shall notify the Committee on Foreign Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate not less than fifteen days in advance of obligating funds pursuant to this section for programs or activities under this section which would otherwise be subject to section 660 of this Act.

[Sec. 536. Special Requirements Fund.—Of the amounts appropriated to carry out this chapter, up to $75,000,000 for the fiscal year 1982 may be made available as a special requirements fund, except that such funds may not be obligated unless the Committee on Foreign Relations of the Senate, the Committee on Foreign Affairs of the House of Representatives, and the Committee on Appropriations of each House of the Congress are notified fifteen days in advance of such obligations.**]**

[Sec. 537. Tunisia.—Of the funds authorized to be appropriated to carry out this chapter for the fiscal years 1982 and 1983, not less than $5,000,000 for each such year shall be available for Tunisia.**]**

[Sec. 538. Costa Rica.—Of the funds authorized to be appropriated to carry out this chapter for the fiscal years 1982 and 1983,

not less than $15,000,000 for each year shall be available only for Costa Rica for the purposes of economic assistance.]

[**Sec. 539. Nicaragua.**—Of the funds authorized to be appropriated to carry out this chapter, $20,000,000 for the fiscal year 1982 and $20,000,000 for the fiscal year 1983 shall be available only for Nicaragua.]

[**Sec. 540. Poland.**—Notwithstanding any other provision of law, $5,000,000 of the amount authorized to be appropriated to carry out this chapter for the fiscal year 1982 shall be available only for Poland for the purchase, transportation, and distribution of food and medical supplies through private and voluntary agencies where appropriate.]

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Chapter 5—International Military Education and Training

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Sec. 542. Authorization.—There are authorized to be appropriated to the President to carry out the purposes of this chapter [$42,000,000 for the fiscal year 1982 and $42,000,000 for the fiscal year 1983.] *$56,221,000 for the fiscal year 1986.*

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***Sec. 544. Exchange Training.**—In carrying out this chapter, the President is authorized to provide for attendance of foreign military personnel at professional military education institutions in the United States (other than Service academies) without charge, and without charge to funds available to carry out this chapter (notwithstanding section 632(d) of this Act), if such attendance is pursuant to an agreement providing for the exchange of students on a one-for-one, reciprocal basis each fiscal year between those United States professional military education institutions and comparable institutions of foreign countries and international organizations.*

***Sec. 545. Training in Maritime Skills.**—The President is encouraged to allocate a portion of the funds made available each fiscal year to carry out this chapter for use in providing education and training in maritime search and rescue, operation and maintenance of aids to navigation, port security, at-sea law enforcement, international maritime law, and general maritime skills.*

Chapter 6—Peacekeeping Operation

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Sec. 552. Authorization of Appropriations.—(a) There is authorized to be appropriated to the President to carry out the purposes of this chapter, in addition to amounts otherwise available for such purposes [$19,000,000 for the fiscal year 1982 and $19,000,000 for the fiscal year 1983] *$37,000,000 for the fiscal year 1986.*

(b) Amounts appropriated under this section are authorized to remain available until expended.

(c) If the President determines that, as the result of an unforeseen emergency, the provision of assistance under this chapter in amounts in excess of funds otherwise available for such assistance is important to the national interests of the United States, the President may *(1)* exercise the authority of section 610(a) of this

Act to transfer funds available to carry out chapter 4 of this part for use under this chapter without regard to the 20-percent increase limitation contained in such section, except that the total amount so transferred in any fiscal year may not exceed $15,000,000; *and (2) in the event the President also determines that such unforeseen emergency requires the immediate provision of assistance under this chapter, direct the drawdown of commodities and services from the inventors and resources of any agency of the United States Government of an aggregate value not to exceed $25,000,000 in any fiscal year.*

(d) There are authorized to be appropriated to the President such sums as may be necessary to reimburse the applicable appropriation, fund, or account for commodities and services provided under subsection (c)(2).

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Chapter 8—Antiterrorism Assistance

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Sec. 575. Appropriations.—There are authorized to be appropriated to the President to carry out this chapter $5,000,000 for the fiscal year [1984] *1986.* Amounts appropriated under this section are authorized to remain available until expended.

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Sec. 577. Expiration of Authorities.—The authorities of this chapter shall expire on September 30, [1985] *1987,* except that funds obligated prior to that date may be expended after that date in accordance with this chapter.

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PART III

Chapter 1—General Provisions

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Sec. 604. Procurement.—(a) * * *

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(g) None of the funds authorized to be appropriated or made available for obligation or expenditure under this Act may be made available for the procurement of construction or engineering services from advanced developing countries, eligible under the Geographic Code 941, which have attained a competitive capability in international markets for construction services or engineering services *and which are not receiving any direct assistance under chapter 1 of part I or chapter 4 of part II of this Act.*

* * * * * * *

Sec. 611. Completion of Plans and Cost Estimates.—(a) No agreement or grant which constitutes an obligation of the United States Government in excess of [$100,000] *$500,000* under section [1311 of the Supplemental Appropriation Act, 1955, as amended (31 U.S.C. 200)] *1501 of title 31, United States Code,* shall be made

for any assistance authorized under chapter I or part I, title II of chapter 2 of part I, or chapter 4 of part II—

(1) if such agreement or grant requires substantive technical or financial planning, until engineering, financial and other plans necessary to carry out such assistance, and a reasonably firm estimate of the cost to the United States Government of providing such assistance, have been completed; and

(2) if such agreement or grant requires legislative action within the recipient country, unless such legislative action may reasonably be anticipated to be completed in time to permit the orderly accomplishment of the purposes of such agreement or grant.

(b) Plans required under subsection (a) of this section for any water or related land resource construction project or program shall include a computation of benefits and costs made insofar as practicable in accordance with [the procedures set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973, with respect to such computations] *the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.) or Acts amendatory or supplementary thereto*

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Sec. 620. Prohibitions Against Furnishing Assistance.—(a) * * *

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(f)*(1)* No assistance shall be furnished under this Act, as amended, (except section 214(b)) to any Communist country. This restriction may not be waived pursuant to any authority contained in this Act unless the President finds and promptly reports to Congress that: (1)*(A)* such assistance is vital to the security of the United States; (2)*(B)* the recipient country is not controlled by the international Communist conspiracy; and (3)*(C)* such assistance will further promote the independence of the recipient country from international communism. For the purposes of this subsection, the phrase "Communist country" includes specifically, but is not limited to, the following countries:

Czechoslovak Socialist Republic.
Democratic People's Republic of Korea.
Estonia.
German Democratic Republic.
Hungarian People's Republic.
Latvia.
Lithuania.
Mongolian People's Republic.
People's Republic of Albania.
People's Republic of Bulgaria.
People's Republic of China.
Polish People's Republic.
Republic of Cuba.
Socialist Federal Republic of Yugoslavia.
Socialist Republic of Romania.
Socialist Republic of Vietnam.
Tibet

Union of Soviet Socialist Republics (including its captive constituents republics.)

(2) Notwithstanding the provisions of paragraph (1) of this subsection, the President may remove a country, for such period as the President determines, from the application of this subsection, and other provisions which reference this subsection, if the President determines and reports to the Congress that such action is important to the national interest of the United States.

(g) Notwithstanding any other provision of law, no monetary assistance shall be made available under this Act to any government or political subdivision or agency of such government which will be used to compensate owners for expropriated or nationalized property and, upon finding by the President that such assistance has been used by any government for such purpose, no further assistance under this Act shall be furnished to such government until appropriate reimbursement is made to the United States for sums so diverted. *The prohibition contained in this subsection shall not apply to monetary assistance made available of such government to compensate nationals of that country in accordance with a land reform program, if the President determines that monetary assistance for such land reform program will further the national interests of the United States.*

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Sec. 620E Assistance to Pakistan.—(a) * * *

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(e) No assistance shall be furnished to Pakistan and no military equipment or technology shall be sold or transferred to Pakistan pursuant to the authorities contained in this Act or any other Act unless the President shall have certified in writing to the chairman of the Committee on Foreign Relations of the Senate and the Speaker of the House of Representatives, during the fiscal year in which assistance is to be furnished or military equipment or technology is to be sold or transferred, that Pakistan does not possess a nuclear explosive device and that the proposed United States assistance program will reduce significantly the risk that Pakistan will possess a nuclear explosive device.

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Chapter 2—Administrative Provisions

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Sec. 634A. Notification of Program Changes.—*(a)* None of the funds appropriated to carry out the purposes of this Act (except for programs under title III of title IV of chapter 2 of part I, chapter 5 of part I, and programs of disaster relief and rehabilitation) *or the Arms Export Control Act* may be obligated for any activities, programs, projects, types of material assistance, countries, or other operations not justified, or in excess of the amount justified, to the Congress for obligation under this Act for any fiscal year unless the Committee on Foreign Relations of the Senate, the Committee on International Relations of the House of Representatives, and the Committee on Appropriations of each House of the Congress are

notified fifteen days in advance of such obligation, *except that such notification shall not be required for funds appropriated to carry out the purposes of chapter 1 of part I if the obligation for an activity, program, or project would be in excess of the amount justified for such activity, program, or project for a fiscal year by not more than 10 per centum.* Whenever a proposed reprogramming exceeds $1,000,000 and the total amount proposed for obligation for a country under this act *or the Arms Export Control Act* in a fiscal year exceeds by more than $5,000,000 the amount specified for that country in the report required by section 653(a) of this Act, notifications of such proposed reprogrammings shall specify—

(1) the nature and purpose of such proposed obligation, and

(2) to the extent possible at the time of the proposed obligation, the country for which such funds would otherwise have been obligated.

(b) The notification requirement of this section does not apply to the reprogramming of less than $25,000 for use under chapter 8 of part I or for use under chapter 5 of part II, for a country for which a program under that chapter for that fiscal year was justified to the Congress.

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Sec. 636. Provisions of Uses of Funds.—(a) * * *

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(14) use in accordance with authorities of [the Foreign Service Act of 1946, as amended (22 U.S.C. 801 et seq.)] *the Foreign Service Act of 1980 (22 U.S.C. 3901 et seq.)* not otherwise provided for;

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Sec. 638. Exclusions.—*(a)* No provision of this Act shall be construed to prohibit assistance to any country pursuant to the Peace Corps Act, as amended; the Mutual Educational an Cultural Exchange Act of 1961, as amended; or the Export-Import Bank Act of 1945, as amended.

(b) No provision of this Act or any other provision of law shall be construed to prohibit assistance for any training activity which is funded under this Act for Brazil or Argentina as long as such country continues to have a democratically elected government and which is consistent with sections 116, 502B, and 660 of this Act.

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Chapter 3—Miscellaneous Provisions

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Sec. 652. Limitation Upon Exercise of Special Authorities.—The President shall not exercise any special authority granted to him under section 506(a), *552(c)(2),* or 610(a) of this Act unless the President, prior to the date he intends to exercise any such authority, notifies the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate in writing of each such intended exercise, the section of this Act under which such authority is to be exercised, and the justification for, and the extent of, the exercise of such authority.

Sec. 653. Change in Allocation of Foreign Assistance.—(a) Not later than thirty days after the enactment of any law appropriating funds to carry out any provision of this Act (other than sections 451 or 637) *or the Arms Export Control Act,* the President shall notify the Congress of each foreign country and international organization to which the United States Government intends to provide any portion of the funds under such law and of the amount of funds under that law, by category of assistance, that the United States Government intends to provide to each.

[(b) Notwithstanding any other provision of law, no military grant assistance, assistance under chapter 4, of part II of this Act, assistance under chapter 1 of part I of this Act, or assistance under chapter 6 of part II of this Act, may be furnished to any country or international organization in any fiscal year, if such assistance exceeds by 10 percent or more the amount of such military grant assistance, assistance under chapter 4 of part II of this Act, assistance under chapter 1 of part I of this Act, or assistance under chapter 6 of part II of this Act, as the case may be, set forth in the report required by subsection (a) of this section, unless

[(1) the President reports to the Congress, at least ten days prior to the date on which such excess funds are provided, the country or organization to be provided the excess funds, the amount and category of the excess funds, and the justification for providing the excess funds; and

[(2) in the case of military grant assistance or assistance under chapter 4 of part II of this Act or assistance under chapter 6 of part II, the President includes in the report under paragraph (1) his determination that it is in the security interest of the United States to provide the excess funds.

This subsection shall not apply if the excess funds provided in any fiscal year to any country or international organization for any category of assistance are less than $1,000,000.]

[(c)]*(b)* The provisions of this section shall not apply in the case of any law making continuing appropriations and may not be waived under the provisions of section 614(a) of this Act.

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Sec. 660. Prohibiting Police Training.—(a) On and after July 1, 1975, none of the funds made available to carry out this Act, and none of the local currencies generated under this Act, shall be used to provide training or advice, or provide any financial support, for police, prisons, or other law enforcement forces for any foreign government or any program of internal intelligence or surveillance on behalf of any foreign government within the United States or abroad.

(b) Subsection (a) of this section shall not apply—

(1) with respect to assistance rendered under section 515(c) of the Omnibus Crime Control and Safe Streets Act of 1968 with respect to any authority of the Drug Enforcement Administration or the Federal Bureau of Investigation which relates to crimes of the nature which are unlawful under the laws of the United States, or with respect to assistance authorized under section 482 of this Act; [or]

(2) to any contract entered into prior to the date of enactment of this section with any person, organization, or agency of the United States Government to provide personnel to conduct, or assist in conducting, any such program [.]; *or*

(3) with respect to assistance, including training, in maritime law enforcement.

Notwithstanding clause (2), subsection (a) shall apply to any renewal or extension of any contract referred to in such paragraph entered into on or after such date of enactment.

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Sec. 661. Trade and Development Program.—(a) The President is authorized to work with friendly countries, especially those in which the United States development programs have been concluded or those not receiving assistance under part I of this Act, in (1) facilitating open and fair access to natural resources of interest to the United States and (2) stimulation of reimbursable aid programs consistent with part I of this Act. Any funds used for purposes of this section may be used notwithstanding any other provision of this Act.

(b) There are authorized to be appropriated to the President for purposes of this section, in addition to funds otherwise available for such purposes, [$6,907,000 for the fiscal year 1982 and $6,907,000 for the fiscal year 1983] *$20,000,000 for the fiscal year 1986.* Amounts appropriated under this subsection are authorized to remain available until expended.

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Sec. 667. Operating Expenses.—(a) There are authorized to be appropriated to the President, in addition to funds otherwise available for such purposes—

[(1) $335,600,000 for the fiscal year 1982 and $335,600,000 for the fiscal year 1983 for necessary operating expenses of the agency primarily responsible for administering part I of this Act; and]

(1) $387,000,000 for the fiscal year 1986 for necessary operating expenses of the agency primarily responsible for administering part I of this Act; and

(2) such amounts as may be necessary for increases in salary, pay, retirement, and other employee benefits authorized by law, and for other nondiscretionary costs of such agency.

(b) Amounts appropriated under this section are authorized to remain available until expended.

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Sec. 670. Nuclear Reprocessing Transfers, *Illegal Exports for Nuclear Explosive Devises* Transfers of Nuclear Explosive Devices, and Nuclear Detonations.—(a)(1) Except as provided in paragraph (2) of this subsection, no funds authorized to be appropriated by this Act or the Arms Export Control Act may be used for the purpose of providing economic assistance (including assistance under chapter 4 of part II), providing military assistance or grant military education and training, providing assistance under chapter 6 of part II, or extending military credits or making guarantees, to any country which *(A)* on or after the date of enactment of the International

Security Assistance Act of 1977 delivers nuclear reprocessing equipment, materials, or technology to any other country or receives such equipment, materials, or technology from any other country (except for the transfer of reprocessing technology associated with the investigation, under international evaluation programs in which the United States participates, or technologies which are alternatives to pure plutonium reprocessing), *or (B) is a non-nuclear-weapon state which, on or after the date of enactment of the International Security and Development Cooperative Act of 1985, exports illegally (or attempts to export illegally) from the United States any material, equipment, or technology which would contribute significantly to the ability of such country to manufacture a nuclear explosive device, if the President determines that the material, equipment, or technology was to be used by such country in the manufacture of a nuclear explosive device.*

For purposes of clause (B), an export (or attempted export) by a person who is an agent of, or is otherwise acting on behalf of or in the interests of, a country shall be considered to be an export (or attempted export) by that country.

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[(5) As used in this subsection,] *(c) For purposes of this section,* the term "non-nuclear-weapon state" means any country which is not a nuclear-weapon state, as defined in article IX(3) of the Treaty on the Non-Proliferation of Nuclear Weapons.

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Foreign Assistance Act of 1969, as amended

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PART IV—THE INTER-AMERICAN FOUNDATION ACT

Sec. 401. Inter-American Foundation.—(a) * * *

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(s)(1) Notwithstanding any other provision of law, not to exceed an aggregate amount of $50,000,000 of the funds made available for the fiscal years 1970 and 1971 to carry out part I of the Foreign Assistance Act of 1961 shall be available to carry out the purposes of this section. Funds made available to carry out the purposes of this section under the preceding sentence are authorized to remain available until expended.

(2) There is authorized to be appropriated not to exceed [$16,000,000 for the fiscal year 1984 and $16,000,000 for the fiscal year 1985] *$11,969,000 for the fiscal year 1986* to carry out the purposes of this section. Amounts appropriated under this paragraph are authorized to remain available until expended.

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International Security and Development Cooperation Act of 1981

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TITLE VII—MISCELLANEOUS PROVISIONS

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REPEAL OF LIMITATIONS ON ASSISTANCE, SALES, AND SALES CREDITS FOR CHILE

Sec. 726. (a) * * *

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(c) The prohibition contained in subsection (b) does not prohibit the sale, or the licensing for export, of cartridge-actuated devices, propellant-actuated devices, or technical manuals for aircraft of the F-5E/F or A/T-37 type which were sold to the Chilean Air Force by the United States before January 1, 1976, so long as the devices or manuals are provided only for purposes of enhancing the safety of the aircraft crew.

The Peace Corps Act, as amended

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AUTHORIZATION

Sec. 3. (a) The President is authorized to carry out programs in furtherance of the purposes of this Act, on such terms and conditions as he may determine.

(b) [There are authorized to be appropriated to carry out the purposes of this Act for the fiscal year 1982 not to exceed $105,000,000 and for the fiscal year 1983 not to exceed $105,000,000: *Provided, however,* That not to exceed $500,000 of funds made available hereunder for fiscal year 1967 shall be obligated under contracts or agreements to carry out research: *Provided further,* That no such contracts or agreements shall be executed unless the research in question relates to the basic responsibilities of the Peace Corps.] *There are authorized to be appropriated to carry out the purposes of this Act not to exceed $128,600,000 for the fiscal year 1986.* Unobligated balances of funds made available hereunder are hereby authorized to be continued available for the general purposes for which appropriated and may at any time be consolidated with appropriations hereunder. None of the funds authorized to carry out the purposes of this Act shall be used to carry out the Volunteers to America Program conducted under the Mutual Educational and Cultural Exchange Act of 1961, as amended (22 U.S.C. 2451 et seq.), or any similar program involving the service or training of foreign nationals in the United States.

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International Security and Development Cooperation Act of 1980

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TITLE V—AFRICAN DEVELOPMENT FOUNDATION

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[USE OF CERTAIN FUNDS

[Sec. 510. Of the funds appropriated to carry out part I of the Foreign Assistance Act of 1961, other than funds appropriated for the Economic Support Fund, not less than $2,000,000 for the fiscal year 1982 and up to $2,000,000 for the fiscal year 1983 shall be used to carry out this title.]

AUTHORIZATION OF APPROPRIATIONS

Sec. 510. There are authorized to be appropriated to the President to carry out this title, in addition to funds otherwise available for such purpose, $1,000,000 for the fiscal year 1986. Amounts appropriated under this section are authorized to remain available until expended.

EXPIRATION OF AUTHORITIES

Sec. 511. The authority of the Foundation to make grants, loans, and loan guarantees and otherwise to carry out the purposes of this title shall expire on September 30, [1985] *1990,* except that this section shall not preclude the Foundation from acquiring obligations prior to that date which mature subsequent to that date or from assuming liability prior to that date as a guarantor of obligations which mature subsequent to that date or from continuing as a body corporate and exercising any of its powers subsequent to that date for purposes of the orderly liquidation of its activities.

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TITLE 10.—UNITED STATES CODE

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ARMED FORCES

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§ 7307. Restriction on disposal

(a) Notwithstanding any other provision of law, no battleship, aircraft carrier, cruiser, destroyer, or submarine of the Navy may be sold, transferred, or otherwise disposed of, unless the Chief of Naval Operations certifies that it is not essential to the defense of the United States.

(b)(1) After August 5, 1974, no naval vessel in excess of 3,000 tons or less than 20 years of age may be sold, leased, granted, loaned, bartered, transferred, or otherwise disposed of to another nation unless the disposition thereof has been approved by law enacted after such date, *except that any lease or loan of such a vessel under such a law shall be made only in accordance with the provisions of chapter 6 of the Arms Export Control Act of chapter 2 of part II of the Foreign Assistance Act of 1961.*

(2) After August 5, 1984, any naval vessel not subject to the provisions of paragraph (1) may be sold, leased, granted, loaned, bartered, transferred, or otherwise disposed of to another nation in accordance with applicable provisions of law only after the Secretary

of the Navy, or his designee, has notified the Committees on Armed Services of the Senate and the House of Representatives in writing of the proposed disposition and 30 days of continuous session of Congress have expired following the date on which notice was transmitted to such committees. For purposes of this paragraph, the continuity of a session of Congress broken only by an adjournment of the Congress sine die, and the days on which either House is not in session because of an adjournment of more than 3 days to a day certain are excluded in the computation of such 30-day period.

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INTERNAL REVENUE CODE OF 1954

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CHAPTER 3—WITHHOLDING OF TAX ON NONRESIDENT ALIENS AND FOREIGN CORPORATIONS AND TAX-FREE COVENANT BONDS

SUBCHAPTER A—NONRESIDENT ALIENS AND FOREIGN CORPORATIONS

§ 1441. Withholding of tax on nonresident aliens

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(c) Exceptions.—

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[(6) **Per diem of certain aliens.**—No deduction or withholding under subsection (a) shall be required in the case of amounts of per diem for subsistence paid by the United States Government (directly or by contract) to any nonresident alien individual who is engaged in any program of training in the United States under the Mutual Security Act of 1954, as amended.]

(6) Scholarships, per diem, etc. of certain aliens.—*No deduction or withholding under subsection (a) shall be required in the case of amounts of scholarships or fellowship grants, or per diem of subsistence paid by the United States Government (directly or by contract) to any nonresident alien individual who is engaged in any program of training in the United States under the Foreign Assistance Act of 1961.*

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